Banking and Currency.

SPEECH

OF

HON. CHARLES A. LINDBERGH,

OF MINNESOTA,

IN THE HOUSE OF REPRESENTATIVES,

Tuesday, February 27, 1912.

The House being in Committee of the Whole House on the state of the Union and having under consideration the bill (H. R. 18960) making appropriation for the Department of Agriculture for the fiscal year ending June 30, 1913—

Mr. LINDBERGH said:

Mr. CHAIRMAN AND GENTLEMEN: We are responsible for the banking and currency system. We make the statute laws and the bankers follow the inevitable law of human nature in conducting their business to meet the demands of commerce and trade. They follow the statute laws as far as they are required to and no further, when to follow the law would be an obstruction to business. In all other fields of industry as well, every advantage of circumstances is made use of to strengthen the grasp of each special business. Those in business do that as a result of human nature, and I do not criticize the bankers for doing what others do. But we, as Representatives of all the people, should know human nature and enact laws that will relieve the special kinds of business of the opportunity and therefore of the temptation to take advantage of the public.

Considering the bad laws under which the banks are compelled to operate, they have done much better in facilitating exchange and accommodating the demands of commerce than we might expect. If it were not that special interests had possessed themselves of the great city banks to control the finances for their own purposes we should have had less complaint. But there are fundamental defects in the system and it is up to the people, through Congress, to provide a remedy.

We have gone far wrong and should not expect to correct the errors of the past in one swing of the pendulum. If we were to adopt a correct banking and currency system that would make things adjust to their natural order we would immediately have on our hands a violent panic. We would want to repeal it before we could get it into working order, because the most of us would think the law was the real cause of the panic, whereas, in truth, the cause would arise out of the confusion of adjusting, the same as there is confusion in moving from one house to another. On the other hand, we may modify our present defective system so as to be followed by a boom that will later fasten on us economic evils a thousand times worse than a panic. We are living under the influences of evils resulting from methods of patchwork of such systems now. We are going through what we may term dry-rot, brought on so gradually that few people realize why it is that things are wrong.

If Congress would adopt a system of laws with a view to correcting the present economic evils, to take effect at a practical time in the future, and laws to arrange for the adjustment in the intervening time, so that we should have no confusion in readjustment, there would be such prosperity as the world has not dreamed of so far, because we now have all the instruments of production that, with proper application of our energy, would produce plenty for all. But the trouble is that the changes demanded are so abrupt in their application that the confusion of adjustment—in some cases the anticipation—brings chaos and not enough know the cause to be willing to endure it till order can be restored and real prosperity brought about. We shall have to take notice of actual conditions and be governed in our action by what on all the circumstances seems likely of practical application, but in no way adopt any plan that will fasten on posterity greater evils.

There has been proposed what is commonly termed the Aldrich plan, which it is sought to have adopted by Congress as the future monetary and banking system of the country. There is more of veiled design in that plan than in any measure that I have ever studied. When I examined the tentative plan, first proposed by ex-Senator Aldrich on behalf of the National Monetary Commission, my mind was forced back to the days of my child life to repeat the little verses that my mother taught me to think of when some evildoer sought to coax me into mischief:

Come into my parlor said the spider to the fly,
I've the prettiest little parlor that ever you did spy.

Well, we all know what happens to the fly when he becomes entangled in the spider's net. In this case the Money Trust is the spider seeking to enveigle the people, whom it treats as flies, into its webs contained in the bill proposed by the National Monetary Commission. In all that I have read and studied nothing, so cunningly cloaked, approaches this attempt to fasten on the American people the Aldrich plan. The underground methods adopted to fool the people and induce them to set a back fire to force Congress to adopt that plan, are not excelled by the Biblical narrative of the temptation of Adam and Eve in the Garden of Eden, nor by anything that has taken place since.

The very adroitness of the Money Trust, hiding behind that scheme and seeking by the most ingenious means to get it enacted into law, leads me to indulge in a preliminary caricature fitted to the facts as they are now being enacted in our United States.

A certain rich man called his servants unto him and said: "Behold I am exceeding rich and powerful, and great substance is gathered unto me from the uttermost parts of the earth. Kings and princes appeal to me for tips on the market and unto whom I will, I give them. All borrowers bow themselves down before me; and to one that hath money to lend I say Lend, and he lendeth; to another, Withhold, and he withholdeth.

"Go to now. It is not yet enough. This people seemeth to govern themselves. The wealth is mine, and all power belongeth to me. Go ye forth into all cities of the land, but say not that I have sent thee. Tell all who will hear thee of a plan that I have made, but say not that it is my plan. Form leagues among the people, but not in my name. Charge a dollar apiece for them to join, but the expense shall be mine, because I can collect from my aids and allies and also from those who depend on me to let their business run. I will select all the officers and pass all the resolutions, and ye shall speak to the people and publish them in the press. We will fool this stiff-necked and rebellious generation, and ye shall say unto them, Except ye bow down yourselves to us and come under our yoke and accept the bill which we have planned for you and for your good, a besom of destruction shall surely come upon you, and a great panic such as the world never saw, so that no man shall either borrow or lend, and there shall be neither buying nor selling among you.

"So shall ye say unto them, and they shall bow themselves down before me, and my kingdom shall be established to the uttermost parts of the earth."

So they went and did as he had said. And it came to pass that—

But it has not yet come to pass. We have not got that far. It may be a wonderment to some, as it certainly has been to me, why the rich man should want more when he already has more than enough, but there seemeth a certain madness of riches, which causes him who hath to want more and him who hath more to want all; and so it behooveth him who hath not, yet needeth wherewith to provide food and shelter and clothing, and even some of the luxuries of life, to guard well the means of protection which have been provided him through the long struggle of former generations, lest he awake from his sleeping and find that "From him hath been taken way even that which he seemeth to have."

There is now pending in Congress this matter of grave importance. It is of far greater importance than the tariff. All the newspapers and many individuals have more or less to say abount the money question. It is something that interests all of us, because we need money to provide the means by which we live, and none of us enjoy paying more for it in products and labor than we can buy with it. Since a few are able, through special privilege, provided for them by law and recognized custom, to buy much more with money than they pay for it, most men remain poor and continue to labor without receiving the just rewards of their labor.

It is imperatively necessary that the common people be wide-awake and observant while the discussion of this question is going on. As the late Senator Dolliver remarked, in connection with another matter, the subject has been entirely surrounded by people who know exactly what they want.

It is admitted on all sides that our banking and currency systems are not at all what they should be, and these people take advantage of that situation in presenting their plan. But mark this: The selfsame people who are presenting the new are mainly, if not wholly, responsible for the old. In other words, the money system is being revised by its friends. If we were dealing with men who had heretofore shown a desire to promote the general welfare, we might be justified in at least assuming that they would continue to do so, but the very parties we are now asked to trust are those who have heretofore robbed us. I believe, in any event, to make the public safe, whether we deal with alleged friends or rogues.

They say that we should adopt their new proposition unless we can propose a better plan. But that does not necessarily follow. Having been for years responsible for the old, which they now assure us is bad, it is at least incumbent on them to show that their new one is better, and until they do opposition is not only justifiable, but necessary, to the end that we may avoid the possibility of going from bad to worse.

However, lest there be misunderstanding at the very beginning, it may be well to state here that, in my opinion, a better plan can be, and probably will be, presented. Not only that, but important modifications of the plan they are presenting will be proposed, so that after full discussion the outlook is favorable for the adoption of legislation that will better present conditions, but if the people do not themselves demand what they need Congress will again get together with its bosses in caucus and adopt the millionaire's plan. Their suggestion that their plan should be adopted unless a better one is proposed is a challenge to the American people. The challenge will be accepted, and a better plan will be forthcoming.

Practically the same people thought that the Payne-Aldrich Tariff Act could not possibly be improved. Evidently the rest of the people think it can. They, the owners of the wealth, too, believed that the Wickersham railway bill, one of the worst in the form it was introduced, should be passed without crossing a "t" or dotting an "i," but certain progressive Members of Congress got their heads together and conceived the idea that it should be improved or defeated, and the whole world knows that it was improved. Indeed, most men believe that if the trust representatives back of that bill in the form of its introduction had been less stubborn it could have been improved more than it was. Whether or not we can arrive at the best solution of our financial problem will depend altogether upon how well we understand the facts and principles which underlie the situation and how well we apply our knowledge. Let us then seek the facts and strive to comprehend them.

Primarily some knowledge of banks and banking methods is required. Most people who have money not in use, some of those who earn more than they spend, business men, firms, and corporations, who always have more or less surplus cash which must be readily accessible, and various governmental agencies are bank depositors. These seldom withdraw the actual cash but pay their obligations by check, which is usually redeposited, the operation constituting a transfer of credit rather than of actual cash. The business of the country is now done on approximately 96 per cent credit and but 4 per cent of actual cash. The banks in the United States hold approximately $1,545,000,000 cash and owe individual depositors approximately $16,000,000,000, or more than 10 times as much as they could immediately pay in cash. Yet all that make their loans properly are solvent. In addition to what is owed to individual depositors, banks owe large sums in the aggregate to each other. The greater portion of the deposits are loaned. The remainder is kept as a reserve. Under our present bad system these reserves have become a tremendous factor in the financial situation, and it happens in this way:

All banks, except those in reserve cities, loan approximately 85 per cent of their deposits direct to borrowers. The other 15 per cent is required as legal reserve. But all except 6 per cent may be redeposited with banks in reserve cities. As a matter of fact, most banks keep somewhat in excess of the required reserve on deposit in the reserve cities, on which they ordinarily draw 2 per cent on the amount of the daily balances. On these balances drafts are drawn for the ordinary exchanges. The 2 per cent makes it an object for the banks to keep such portion of their reserves in the large cities. Banks in reserve cities may loan 75 per cent of their deposits, including the reserve coming from other banks, to individual borrowers, and half the remainer, 12½ per cent, they in turn can redeposit with banks in central reserve cities. Banks in these cities may loan 75 per cent of all their deposits and are required to keep 25 per cent in their vaults.

Savings banks, trust companies, insurance companies, and the big corporations are all immense factors in the general scheme, but it is not necessary here to go into details as to them.

The only three central reserve cities—New York, Chicago, and St. Louis—hold approximately $1,000,000,000 in cash reserves. Most of it is held in New York. As all the banks together hold only $1,545,000,000 of actual cash and the nonreserve banks hold 6 per cent of their deposits in cash, you begin to see where the money on which the business of the country is principally done is located. The actual money in banks over and above the reserve requirements is very small—only a few millions. Reserves and cash in transit are at all times very large. The aggregate joint accounts of all the banks would at no time come anywhere near balancing, because of the constant transit of cash and credit by express and mail. A California bank, remitting by mail or express to a New York bank, charges the latter when the package is made up, but receives no credit in the New York bank until the package is received, several days later. The aggregate of funds so in transit is constantly so large that if an order were made that they should not be charged up by the remitting bank at the time of shipment and only when received it would create serious business depression, because the bank's books would not show the required reserve.

Such is a very brief outline of the system which certain people are now telling us is all bad. But remember that the same people have had it in their power to change it for a better system at any time they pleased during the past 40 years. Have they not known how it was working all that time? Have they but just now discovered that it is bad?

Shortly before his death, after having had an opportunity to observe its working for a time, Salmon P. Chase, who was Mr Lincoln's Secretary of the Treasury at the time the national bank law was passed, said:

> My agency in securing the passage of the national-bank act was th greatest mistake of my life. It has built up a monopoly that affect every interest of the country. It should be repealed.

Had Mr. Chase lived to see its present monopolistic effect: he would be amazed that it had not been repealed. With hi rare prophetic vision, inspired by his intense love for his coun try, Abraham Lincoln said:

> Yes, we may all congratulate ourselves that this cruel war is nearin its close. It has cost a vast amount of treasure and blood. The be blood of the flower of American youth has been freely offered upon ou country's altar that the Nation might live. It has been, indeed. trying hour for the Republic; but I see in the future a crisis ap proaching that unnerves me and causes me to tremble for the safe of my country. As a result of the war corporations have been e throned and an era of corruption in high places will follow, and t money power of the country will endeavor to prolong its reign by wor ing upon the prejudices of the people until wealth is aggregated in few hands and the Republic is destroyed. I feel at this moment m anxiety for the safety of my country than ever before, even in the mic of war.

Well, that is just about the way it has worked out, isn't i And do you suppose that what Lincoln could see 50 years ahea these skilled financiers have failed to observe while the su stance of his vision was being worked out under their hand They tell us it is bad now. It was bad in the beginning. has been bad all the time—and they were in power. Why w it not repealed? They knew it was bad, but they were maki use of it to their advantage.

Let us see if we can not determine. They even praised a glorified the system while their colossal fortunes were be built up under it. The control of credit in this country affo a greater power than even our Government exercises at present time. The great special interests cooperate to conse the cash reserves of the banks and hold them inviolate a basis on which to construct their credits. They can absolu depend upon these reserves, because the banks for which t are held are not allowed to loan them or even to pay th out to depositors. Credit is as good as cash when prop used, and when so used, or when improperly used to inflate depress values it is the power that controls business. Pa come and go as credits are withheld or extended. Indu thrives and commerce languishes in harmony with the ope and closing of the hand which controls the balance of cre just as the fate of nations may depend upon who holds balance of power in legislatures.

Now, then, with bank reserves not subject to loan by mos the banks of original deposit, but subject to loan when hel the reserve banks, the money which makes up the reserv which we have already seen is the greater part of all the money there is in the banks—is forced into the cities where reserve banks are located. As every dollar of real cash i the average the basis for $24 of credit—and very much when handled through the banks, and still more when jected, as it is, to Wall Street manipulation—we can re something of the power of Wall Street's control of busine charge, and defy successful contradiction, that the one bi dollars or so of the bank reserves are the greatest cash under the control of the Wall Street specialized credit sy and create for it more than the average credit, the averag ing $24,000,000,000. The cash reserves have been the mos cient agency in giving the special interests control of the b transportation systems, and industrial corporations. By n of their control of the reserves, and the credit created by use, they have manipulated so as to obtain control of the great life insurance companies, thus augmenting their power.

Most persons are now aware of the fact that approximately 2,000 persons control more than 80 per cent of the entire wealth of the country. J. Pierpont Morgan, the king of finance, together with his associates and affiliated firms and corporations, absolutely controls the working capital of more than $10.000.000.000, in which he has an interest, based on an estimate made two years ago, and to it should be added the accretions of these two years of expansion. In addition to these are other corporations, whose stocks and bonds have been underwritten by these men and parties allied with them, and whose combined capital is several times $10.000.000.000. Enormous as the power of such an aggregation of capital is, it does not tell the whole story. Each of the corporations controlled by these men exerts a powerful influence indirectly on all portions of the country. The transportation systems can add to or detract from the importance and the business prosperity of every locality through the manipulation of rates and the facilities afforded for the prompt shipment and delivery of goods. There is not a hamlet reached by railway some of whose citizens have not favors to ask and disfavor to dread from the management of these great corporations, and whose business men, bankers, and newspapers do not, in some degree, feel the necessity of bowing down before the mandates of big business.

Not only are these persons in control of the greater portion of the wealth of the country, and through such control enabled to reach out and mold the sentiment of a large and influential body of the citizens, but some of them have been able to create wealth. In a hearing recently before a committee of the House James J. Hill testified that he and his associates purchased, in northern Minnesota, a railway and certain ore lands for $4.500.000, which are now, because of ore deposits, valued at $500.000.000. That value has been created by the act of God and the necessities of man. The $495.500.000—that is, the greater proportion of it—representing the profit in the transaction, is a charge upon humanity without consideration. Nevertheless, when Mr. Hill and his successors proceed to collect the profits on the transaction and convert them into ready cash, there is a substance of value which they will deliver to the people from whom they make their collection. In the case of the Morgan-created Steel Trust and other similar aggregations, there is an assumption of value which does not exist and never can exist except as a potential agency for the basing of profits on fictitious value, to be paid by consumers. Except for these extortionate profits there is nothing represented by, perhaps, as much as $500.000.000 of Steel Trust watered stock, which Morgan and his associates ever did or ever can deliver.

Such is the system and some of the benefits which those who now advocate a change in our monetary methods have derived from it. They pretend to have suddenly discovered that the financial system is all wrong. Why do they want a change of system which has been so profitable to them? Are their motives humane—to better conditions? Are they patriotic and now disposed to be fair? If so, there is abundance of other opportunities for them to "bring forth fruits meet for repentance." which seem to have been neglected. Does the Money Trust seek, through the provisions of the new plan, to control the finances of the world? Has big business expanded beyond the capacity of present financial methods and its individual fortunes grown so great that its activities can no longer be accommodated, and is it compelled to seek broader fields? If so, are we to gratify them, or are we now to think of the ninety-odd millions of the people who were defrauded by our old plan, and shall we really work out a plan for the people now? If so, we must beware of the spider's web.

Great is the money problem, and involved in its proper solution are all these questions to which I have referred. I do not claim that the money power takes notice of persons generally, or ordinarily or directly interferes with their individual conduct. If it did, its existence would soon be threatened. The power it exercises is not directed against individuals, but is aimed at systems. Those who are at its supreme head well know that its growth is limited only by the toll it exacts from the aggregate of individual production. For that reason its aim is to have everybody employed and producing, because under present arrangements the greater the average individual production the more it can expect as its toll. It takes the cream of production.

That is why less than a dozen men have been able, directly and indirectly, to secure control of—

Over 85 per cent of the railroads.
Over 90 per cent of the express and Pullman companies.
Over 75 per cent of the telephones.
Over 60 per cent of the copper.
Over 65 per cent of the petroleum.
Over 87 per cent of the steel.

The list of businesses in their control could be added to indefinitely, till it would include almost all the important business of the country, on which hundreds of thousands of smaller and dependent concerns rely for operation as things are now managed. When one realizes this he begins to understand the silent and occult, but no less effective, force which commands without word or act to which one can point specifically and say, "This is the identified power." No one who has given the subject proper study claims that there is an organized, or even an unorganized, association that can specifically be defined or circumscribed, pointed to, and named as the Money Trust. Formal organization is not necessary to its potential existence. In fact, its power is greater because it exists without organization. It can and does do by indirection more effectively than it could by direction. From the very fact that the business interests are aware of the existence of a money power which can make or unmake business for them at its will that power derives its greatest efficiency. Silently and grimly that power is exerted, and its force is realized by all the great industrial interests of to-day. Because of its peculiar, yet potent, power it is pre-eminently important that legislation affecting the money and credit system should and must be most carefully guarded lest greater troubles ensue.

Just as soon as an individual or a collection of individuals enters or proposes to enter into competition with an industry or business operated under the protection of the Money Trust, then notice is taken of its existence. If the enterprise, whatever it is, bears promise of success, the influence of the Money Trust is exerted to block the sources from which it can secure credit. It can not sell its stock or bonds, nor borrow on its notes sufficient to keep its business going. Even though the enterprise may have the approval of bankers and business men, these know and understand that it has an unequal chance in competition with the trust-protected industry, and not only that, but they also know and understand that diminished opportunity will be afforded themselves to participate in trust-controlled business and thus the prospect of decreased profit in case they respond to the appeal for credit grimly resolves the doubt in favor of retaining the greater and more profitable clientage. There is no sentiment in the banking business. It is a matter of profits and dividends, and he who controls the sources of profit controls the bank, even though he may not have a dollar invested in it.

A peculiar illustration of the power of the trust over the banks is given in the practice that has been developed by Morgan and his associates in the business of underwriting the securities of corporations that have been taken under trust protection or control—none others need apply. The stocks and bonds to be floated are divided arbitrarily and allotted in various amounts to the different banks with which the great interests do business. No bank is asked how much it desires to take, or whether any at all. No bank that works in with those interests dares refuse. No word or sign is needed. The bank is notified. It understands. There is the same silent force—the prospect of withdrawal of deposits by trust-controlled corporations and individuals and the definite understanding that if it refuses once it will not again be allowed to participate.

The banks of the country wish to be relieved of this merciless condition, but the same silent power and influence which impels them to take the bonds and securities allotted to them by the Money Trust, and to refuse those offered from other sources makes most of them fear to protest lest it should endanger the business they are now permitted to have.

Mr. George M. Reynolds, president of the Continental & Commercial National Bank of Chicago, the second largest bank in America, was one of the principal advisors of the Monetary Commission in formulating the Aldrich plan. In a speech before the National Business Congress, made in the gold room of Congress Hall Hotel, Chicago, December 13, 1911, he said:

> I think I can make it plain to you where the money power lies to-day; I believe you already know, if you will stop and consider carefully, and I believe anyone within the sound of my voice realizes that at this time the money power is in the hands of at least half a dozen men. We have reserve centers carrying the reserve to-day, and the banks all over the country are dependent upon those reserve centers.
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> I believe the money power now lies in the hands of a dozen men. I plead guilty to being one, in the last analysis, of those men.
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> I believe that two or three in New York, two or three in Chicago, and two or three in St. Louis could control the question of whether or not loans should be made to correspondents throughout the country.

We have now arrived at a point where we are capable of understanding perfectly how it is that both bankers and business men in so many instances all over the country are prepared to indorse the Aldrich plan in its entirety without study or reflection as to the effects that are likely to follow a few years after its adoption. The edict has gone forth, "It is a good thing for business," and that is sufficient for those of them who fear to protest to what the Wall Street interests demand. It has to be.

Why is it that while the politicians have been running the Government its natural resources have been secured by a few who charge so much for them that they get the most of the people's daily earnings? What shall the people do with those of their public servants who, without so much as a protest, permitted this condition to be brought about? They are even responsible for the legislation that brought it on. Notwithstanding their failure to preserve the public rights they are asking for reelection. Will the people keep them there because of long terms of bad and useless work? Due to their malfeasance in office, we are rapidly approaching a crisis in the history of our country. Originally the purpose was to make this the people's government, but because of partisanship in its legislative bodies it has gone far astray. We have now a state of general unrest, and an uncertainty as to what will take place. Shall we face it with utter disregard for the common necessities? If we do, we shall reap the whirlwind.

Now, again, comes a powerful special interest with a proposition that the Government shall give it power to issue aerated money. We have all heard of "watered stocks." The notes which it is proposed the National Reserve Association shall issue are to be secured by from one-third to one-half of real money and the balance by more or less inflated credits. It is the attempt of special interests, by the use of aerated money, to make a final clean-up of what little the people have left. The people have found out what watered stock means, so now the new scheme is to make aerated money—money that will be secured largely by the watered bonds, stocks, and securities. That is one of the schemes of this plan.

If the country does not arouse to the importance of defeating this Aldrich scheme, it will later arise in wrath and at great expense and sacrifice to remove from themselves the added burdens of its iniquity. Never before were the money kings so bold as they are in this case, to openly ask the people to submit to binding themselves and their posterity to pay this additional toll. Heretofore schemes of that character have been fixed up with the politicians without appeal to the people. Now the politicians are scared, business is scared, much of the public press is scared, and some are subsidized. While in this state of fear and uncertainty the shrewd money kings are lurking behind the scenes with veiled threats of panic unless we permit ourselves to be loaded with an additional burden and this new instrument of aerated money be given them to still further exploit their extravagances on us. Do we understand why it is that that influence is furnishing funds to print papers and pamphlets and send speakers abroad among the people and lobbies to Congress to advocate the scheme? Examine the boldness of their new banking and currency plan and we will then understand.

Most of those who hold the public offices are trying to keep the money problem from being the issue, so that they will not have to promise before election as to how they will vote on that plan. It should be made the paramount issue of the next election.

If the Aldrich plan is adopted the Government is to retire permanently from the business of issuing notes to circulate as money. The plan does not provide that the association shall issue its notes as money, but it is given the power to do so if it sees fit. It may issue notes in unlimited amounts or refuse to issue any. There is no limit to the rate it may charge for discount. A panic may come and go without its taking any action to prevent or relieve it if it chooses to remain inactive. The only incentive to cause it to act or to remain inactive would be to make a profit or prevent losses to itself and the subscribing banks which would control it. It fixes a tax to be paid on the note issues, but adroitly provides a way to avoid the tax by covering its notes by an equal amount of lawful money, gold bullion, or foreign gold coin held by it. That does not mean that it shall own the money, but simply hold it. And since it is provided that the Government shall turn over to the reserve association all the Government's general funds—usually amounting to hundreds of millions—it will also hold these. The subscribing banks and trust companies will keep their reserves with the association, and it will also hold them.

As reserve agent, the association can use the interlocking system, whereby the same directors, or those in their control, serve on the different directorates, now practiced by the large banks, and can easily secure $1,500,000,000 of bank reserves to hold. From those three sources—its capital, Government deposits, and bank reserves—it could hold more than $2,000,000,000 of gold and lawful money, 50 per cent of which would be the reserves required by the plan to secure its notes, leaving the other 50 per cent reserve for its demand liabilities, such as the subscribing banks' reserves, and the whole would be counted as lawful money to cover its notes to exempt it from the special tax.

On the first $900,000,000 of the association's notes it shall pay for the full period of its charter, 50 years, a franchise tax of 1½ per cent per annum on an amount equal to the par value of the United States 2 per cent bonds transferred to it by subscribing banks. Unless the subscribing banks transfer the bonds to it, it will pay no tax whatever on that portion of this sum in excess of national-bank notes outstanding, now approximately $680,000,000.

Mr. JACKSON. Will the gentleman yield?

Mr. LINDBERGH. In a few moments I will. The banks can keep the bonds or transfer them to individuals friendly to the Money Trust, retire the national-bank notes secured by them, and relieve the association of the tax. The Government has reserved the right to pay these bonds in 1930 and, to maintain its credit as it should, will probably do so. Holders of the bonds will have no taxes to pay on them and will draw $244,800,000 of interest in the 18 years they still have to run, and out of the whole affair on that section would save their private corporation $675,000,000 taxes in the 50 years of its charter. Does anyone wish to assume that they will not take advantage of this opportunity? But if all the bonds are transferred to the association, which are now held by banks to secure circulation, it will, according to the Treasury report, February 23, 1912, still be exempt from taxation for the 50 years on approximately $220,000,000. Is Congress likely to be attracted by this provision of the Aldrich plan?

Should the Money Trust take advantage of its opportunity, it will issue, in effect, billions of dollars of its notes, with which it may enter foreign markets for purposes of speculation and secure control of the markets of the world and thus create a world-wide monopoly. Big business will need no protective tariff when that is done.

I now yield to the gentleman from Kansas for a question.

Mr. JACKSON. Mr. Chairman, I notice the gentleman spoke about the tax being little or no tax on the circulation. I simply want to ask if the tax should be greater if it would not in the end result in harm to the borrower or the bank which issue this currency? In other words, should not the tax be small? Is it not to the interest of the public that the tax should be small rather than large, and, in fact, why should there be any tax on the issue of this currency?

Mr. LINDBERGH. I will say to the gentleman that I shall cover that point in my discussion later. This is a private corporation and, in my opinion, should be taxed.

Mr. JACKSON. Is the gentleman quite correct in characterizing this as a private corporation? I am asking these questions simply for information.

Mr. LINDBERGH. Certainly it would be a private corporation. The banks forming this company are private corporations, and by the bill they would own it. To be sure, the banks serve business, and I am not opposed to them if they ask only what they are entitled to. I am opposed, as I believe you are, to giving them any special privileges.

Mr. JACKSON. The banks being the stockholders of this central bank, whatever profit or benefit there would be in issuing the currency would in the end be distributed back to the banks again, and the issuance of currency is really one of the powers of the banking corporations, and they ought to have that right.

Mr. LINDBERGH. The gentleman from Kansas and I usually agree on economic problems, but I differ with him if he says that banks ought to have that right.

Mr. JACKSON. Does not the gentleman believe that if we could get an ideal system it would be that every bank of the country, State or National, should have a right to issue its bank notes upon its own credit? Would not that give us the most and best money that we could have if we could do that with safety?

Mr. LINDBERGH. If we could do it with safety, and I will add if we could do it with justice, but I do not believe any private institution can do it with both. The issue of money is properly a function of government.

Mr. JACKSON. The gentleman uses the word "money." He uses that term, of course, not accurately. It is understood that the notes are not legal tender.

Mr. LINDBERGH. If the bill proposed is passed they will be legal tender by section 53. Everything is money that passes as money, when we speak in a practical sense. I agree with you that a bank note does not come within the technical meaning of money.

Mr. HAUGEN. Is it not a fact that the Government shares in the profits?

Mr. LINDBERGH. I will cover that point later in my argument.

Mr. NELSON. I may be obtuse in catching a point, but I did not quite understand whether this gift you spoke of comes from exemption from taxation or in what way would they get it?

Mr. LINDBERGH. They get the benefit by being authorized upon their own responsibility to issue $900,000,000 of their notes, and if they take advantage of their opportunity are exempt from taxes upon that. Therefore, it is equivalent to a gift. Not only that, but by other sections in the bill they may increase the issue to billions.

Mr. NELSON. The income, then, is where they would be gaining right along?

Mr. LINDBERGH. Yes; the same as if the Government would give you or me or anybody else that amount of money to use during that period of time. They are also given the use of the funds of the United States free of charge and may issue notes on them.

Within a few years after its organization it could issue over $2,000,000,000 of its own notes to pass as money. These would constitute a first lien on both the deposits of the Government and the reserves deposited by the banks. The original depositors would have second security. I do not, however, by that mean to cause depositors to distrust its capacity to pay. This private monopoly would never be insolvent, because all of us would be its industrial slaves. We would be compelled to work for it, to pay its debts. It would raise the discount rate if it wished, for by the bill it has absolute discretion to charge any rate of discount. This discount would be included in the cost of what we buy.

Heretofore banks have bought Government bonds and deposited them with the Government to secure their circulating notes. This plan provides that a special monopoly be created and that the Government and private depositors and borrowers through the subscribing banks will supply the security for the money that the private monopoly will print and own. That is, indeed, a snap for the proposed association. It is a great scheme to give this private monopoly a wonderfully large gift. So far as I have been able to learn, it is the first time in all history when a private concern has had the nerve to ask the Government to set it up in business without some kind of security in return. This is truly the boldest of all schemes that ever any people were asked to fasten on themselves.

Another thing, those who have deposits in banks will learn to their surprise and sorrow, in case the plan is adopted, that when a bank does close its doors it will be after it has used all its valuable notes to borrow from the National Reserve Association, and that association will have all the good paper and the depositors, large and small, will get the old rags left in the bank.

Now, answering the question of the gentleman from Iowa [Mr. HAUGEN]. On its face the plan purports to turn over to the Government all the profits in excess of 5 per cent per annum and a 20 per cent surplus to be accumulated in the 50 years. The association begins with 46 directors and a corps of officials; each of the 15 branches will have its separate board and corps of officials and clerks; and the still more numerous local associations likewise. The National Reserve Association alone, with its 15 branches, will have an official force practically equal to that of Congress. These directors of the National Reserve Association will have power to fix their own and all other salaries, which will be paid out of profits, which the United States will not receive, but all of which, together with the dividends, surplus, and tax to the Government, will have to be paid by some one—by the consumer in the ultimate analysis, let us not forget that. While there is no limit to the amount of salaries that may be paid, there is also no limit to the capitalization.

In the last 10 years bank capital has doubled. If the bill becomes a law, it is likely to more than double in the next 10. Most banks will consider a 50-year, gilt-edge 5 per cent investment exceedingly attractive; and that, taken in connection with the power that increased capitalization will give them in the organization, will tend to induce banks to increase their individual capital, and correspondingly increase the capitalization of the association. Such a monopoly would be too tempting for those who could get it to neglect taking advantage of the opportunity to convert bank surplus in excess of 20 per cent into capital, for by so doing they would get the best stock in the world for their exclusive use. The surplus of the banks in New York City now exceeds their capital. How quickly the banks there and elsewhere could increase their capital to include all except 20 per cent of their surplus. In addition, there would be numerous new banks organized. This monopoly could have $1,000,000,000 capital in 10 years, and continue increasing in that proportion for the 50 years of its charter—or, at least, till it got whatever surplus the plain people may have. It is argued that they would pay in only 50 per cent of the capital; but the 5 per cent and 20 per cent surplus would be too tempting to hold the capital down to 50 per cent, so it would all be paid in in a short time. This plan is the greatest endless-chain device ever invented by the imagination of man for creating capital in the control of a special monopoly. It would take the last pound of flesh from a crushed people.

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This is a spectacular period. The Government has been prosecuting several of the great trusts, with the public applauding. But, notwithstanding the prosecutions, the stocks of both the Standard Oil and Tobacco Trusts have gone higher, because the prosecuting officers failed to secure decrees that were effective. The decisions were advertised as favorable to the public, but in truth they were favorable to the trusts. Now comes this Aldrich proposition for the Government to establish a greater money trust, with more power than they all have now, and to turn over to it even the most important powers of the Government itself. These adroit money changers suggest that their plan is framed after the form of our Government—counties, States, Nation. But let us consider for a moment. We, the people, all have a part in the Government of the county, State, Nation. We are all included; while in this Money Trust it is the local associations, local bankers; branch associations, large bankers; National Reserve Association, banker kings and princes. Where do we, the people, come in? Bankers are not different nor less fair than other people; but why should we give any one interest such special privilege? The necessity to amend our banking laws is, indeed, urgent, but we should never further surrender control of our money and credit. We should recover control instead.

Mr. JACKSON. Mr. Chairman——

The CHAIRMAN. Does the gentleman from Minnesota yield to the gentleman from Kansas?

Mr. LINDBERGH. Yes; I do for another question.

Mr. JACKSON. I dislike to interrupt the gentleman, but we all like to learn about these things, and I confess I have not made a careful study of this plan. Does the gentleman think any of these things which he has mentioned are really objectionable if the control of the bank is lodged properly with the public?

Mr. LINDBERGH. But it is not proposed by the plan to lodge the control of this association with the public. No, sir; the control will, in fact, be held by Wall Street influence.

Mr. JACKSON. A certain number of directors are to be appointed by the President and a certain number of the others are to be appointed by the smaller banks.

Mr. LINDBERGH. I beg the gentleman's pardon. The only director the President appoints is one from a list of three furnished by the association directors, which is the same as if the association itself appointed. To be sure, three members of the President's Cabinet and one other Government official are to be ex officio directors, but you will readily see that 4 directors out of 46 will give the Government no control. The small banks will cut mighty little figure in that plan.

Mr. JACKSON. Will the gentleman yield to me again just for a moment?

Mr. LINDBERGH. Just for a question.

Mr. JACKSON. I do not mean to approve the plan, but I wanted to call the attention of the gentleman to the fact that, in my opinion, the control is the important thing.

Mr. LINDBERGH. That is in fact only one of the important things. Yes; the control is an important thing, and to show you how little the members of the National Monetary Commission studied their own report I call attention to their statement, on page 34 of their report, in which they state:

> In order to effect a combination to secure a majority of the directors the votes of eight districts would be necessary, and with New England having one, the Eastern States two, and the Middle West four, one other district would be necessary, showing that no combination of Eastern and Middle West with other interests could be made which did not include more than 80 per cent of the banking power of the country.
>
> We think that this statement must of itself show conclusively that there can be no local domination—no domination of selfish interests in this organization, and that fear of possible Wall Street control can have no substantial foundation.

Now, the truth about that is that there are 46 directors in all, but 3 of them are selected by the other 43 and 22, a majority of 43, will control their appointment. Since 9 are selected by the stock, Wall Street will control these and will require only 13 more to secure control of the board. That will be secured by combining the New England and the Eastern groups with any one of the other groups, which would give one more director to Wall Street than necessary to control, and in only seven of the branches. As a matter of fact, as I before described, the Wall Street influence extends into every district, so it will, if it chooses, control all of them.

The term Wall Street in its financial aspect is not confined to the narrow strip lined up with two rows of skyscraper buildings in New York City. It means that influence which reaches out all over the world wherever there are producers from whose products it may scalp profits. Its headquarters are in Wall Street, N. Y., but it has its agents in every nook and corner of the globe. I do not know what you may think about the report of the commission, but I know that the report is full of other inconsistencies as glaring and patent as their statement that for Wall Street to control it will take 8 out of the 15 districts to control the National Reserve Association, but even if it did they would control it.

The proponents of the Aldrich plan have gone to great lengths and have taken extreme pains to assure the people that Wall Street could not control the National Reserve Association. It has even been tried to make it appear that the National Monetary Commission discriminated against the banks of New York and other eastern cities. It is a sad admission for a national commission to make that it discriminates. It is because of discrimination in our national legislation and in the application of laws that most of us are now compelled to work two or more days for one day's pay, while the major portion of the results of our productive energies are diverted to the pockets of money kings. Through such discrimination most of us pay more in service or products for money than we can buy with it, and the great majority of us, however industrious and frugal we may be, remain poor so long as we do that.

It is unfortunate that it should have been thought necessary to propose a plan and bolster it up by arguments based upon the assumption that Wall Street is hostile to it. But since such is the case, we are put upon our inquiry and must consider the plan itself with reference to what is known of Wall Street's power and influence. The plan takes no notice of people. It is a dollar proposition exclusively. That also is the Wall Street point of view. It takes no notice of people except to scalp a profit off their earnings by every possible means and devious contrivance. When its chief votaries tell us that they have devised a plan which will make it impossible for it to do the things which have made its name a fear and a reproach to all the world, we need to "beware of Greeks bearing gifts." It is easily apparent to those who have studied the methods of the money kings that they would control.

But on this point let Wall Street itself testify. A Wall Street paper, Financial America, in an editorial published January 8, 1912, from which I quote, says:

> Superficially examined, ex-Senator Aldrich's mathematical computations would seem to lend color to the belief that he has accomplished this object (meaning the taking of control from Wall Street): None knows better than he, however, the utter impossibility and the absolute untruthfulness of such an inference. He knows that no curtailment, no restriction of voting power in the proposed reserve association can curb or check the domination—yes, "domination" is the word—of the banks of this city (New York) over the banking interests of this country as they now exist or as they may be affected by the recommendations of the National Monetary Commission. That domination is fixed and permanent because of the solidarity, strength, and resources of the banks of this city; because this city is the reserve center in the final analysis of all the banks of this country; because of this circumstance thousands and thousands of the banks throughout the country look up to and are influenced by the banks of this city.

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The same editorial asserts that Wall Street should control, and adds:

> Let the project go through, and when the interests of the country need financial guidance or direction we predict that the votes of the eastern banks—New York and New England—in the reserve association will be in the majority, for they will be followed by the men in other sections who have had to rely on New York's leadership for their very existence on former occasions of peril.

It is by such means that the great special financial interests of New York, New England, Chicago, St. Louis, and of other great cities hope, through the passage of this bill, to control absolutely by law as well as by environment and manipulation the finances of this country and, eventually, I believe, the markets of the world to form a world trust.

Mr. NELSON. Mr. Chairman——

Mr. CHAIRMAN. Does the gentleman from Minnesota yield?

Mr. LINDBERGH. I do.

Mr. NELSON. I was very much interested in a private talk that former Secretary of the Treasury Shaw gave us on the train coming to Washington, in which he pointed out how this scheme would give Wall Street men an opportunity, by discounting securities, to give value to their bonds listed on Wall Street, and how they would refuse to accept securities that were not approved by them or that did not have fixed quotations in Wall Street. What does the gentleman from Minnesota say about that?

Mr. LINDBERGH. The gentleman from Wisconsin [Mr. NELSON] probably knows that the Wall Street schemers are trying to hide from the public their real motives in seeking to get their plan adopted. As the gentleman knows, that is one of the many woodchucks in the bill, and your question is equally important with the one asked by the gentleman from Kansas [Mr. JACKSON], concerning the control of the proposed association. To get at the real meat of the thing we may as well go into the subject somewhat in detail and understand who really drew this plan on which the bill is based. George M. Reynolds, whom I before referred to as the president of the second largest bank in the country and one of the Morgan-Rockefeller group, tells the truth about that. I quote from his speech, the same speech to which I before referred, delivered last December, the following:

I want to say that, so far as the author of the bill is concerned, it is not Mr. Aldrich's bill, nor the bill of any one man. It is the creation of many men. Perhaps 100 men have had to do with its construction in one form or other. It represents the consensus of opinion of many of the largest banking men and business men of this country. Conference after conference has been held on the subject.

In the same speech Mr. Reynolds stated that he sat in almost every conference. Those 100 men, including Mr. Reynolds, were and are most of them connected with Wall Street. You will hardly get the full benefit of Mr. Reynolds's speech and the general scheme unless I quote from the same speech the following:

At the very beginning of the study of this question the first and foremost problem that confronted those who had the work in charge was its political aspect; the ability, if you please, to have the bill passed was infinitely greater than the economic problem. The bill was presented to the country in a tentative form for consideration some months ago. Since that time there has been much discussion and some criticism of it. Some amendments have been made to the bill with a view of covering or meeting such criticism.

I take a little pride myself in having secured some of the amendments referred to by Mr. Reynolds by my criticism of the plan in a speech that I made before the Rules Committee on the Money Trust. No amendments were offered until after I made that speech. I produced the argument and the evidence to have a section added allowing national banks to loan on real estate, so if the bill becomes a law farmers may, if they choose, borrow on their farms. Several other important amendments that I suggested were made, but the most vicious provisions of the bill still remain.

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Now, directly answering the question asked by the gentleman from Wisconsin [Mr. NELSON], I will state that it is a matter of common knowledge that the Morgan-Rockefeller group, including their allies, in the boom that followed the panic of 1893 and succeeding years, entered into the greatest stock, bonds and securities schemes and speculations that have in all history taken place. They capitalized the earning capacity of the people, but not for the benefit of the people—on the contrary, for their own selfish purposes. For that purpose Morgan and his allies created numerous corporations and underwrote stock and bonds of others by the hundreds. Later they discovered that a still better system for them would be to amalgamate corporations into trusts to enable them to absorb competing independent operators or else drive them out of business.

This has been the most successful business ever undertake up to the present. Therefore they created all the great monopolies and trusts. It has been necessary for them to put up th prices on things required to supply the people's daily necessitie in order to collect from the people the dividends and interest t pay on the watered stocks and bonds. The high cost of livin and low wages have caused a spirit of general unrest amon the people that seriously threatens the trusts and monopolie The latter know the cause and seek by this bill to render th people helpless to make any change that would defeat the pu pose of the trusts to continue their rule.

In 1907 the speculation and boom had developed to an exte that made the Morgan people, who were now mainly in contr desire to begin reenforcement of their own properties. The were independent concerns, however, that were waging co petition with some of Morgan's pet schemes. That difficul the Morgan interests figured had to be overcome, and Morga commanding all his united forces, was equal to the emergen Conditions in a financial way were ripe to bring on the 19 panic. To be sure it was a bold and cruel act and they did n like to have a panic, for these men do not like to see sufferi They are not naturally vicious, but will win their points, if th can, at any cost to the people. They knew it was necessary order to enable them to accomplish their purpose to sacrif the people and they did so. The panic was brought on, a under its stress they were able, June, 1908, to scare Congress to pass the Aldrich-Vreeland emergency currency bill by which the National Monetary Commission was created.

That coup was so smoothly and adroitly accomplished that none who had not previously studied our financial and economic problems could suspect the end sought by these money kings, and many Members of Congress innocently voted for the measure, not knowing that it was loaded to later fire at Congress this bill. To secure the passage of this bill was the principal scheme of that act. On the other hand, the leaders then holding the power in the Senate and the House knew exactly what was wanted, and accommodated Wall Street interests by placing on the commission a man as leader who knew the game and would direct the proceedings.

No doubt the members generally of the commission wished to do right, but there was their leader to direct the proceedings, and only one side of financial problems were allowed to be brought out—the side of the wealthy. Their side was kept to the lead. There was no systematic presentation of evidence and facts to the commission by the actual producers of wealth. They did not have the means nor the organization and possibly they did not generally even realize the necessity to present evidence. The collectors of wealth sat in with the commission, and were given the right of way. Congress must protect the producers—the farmers, wage earners, all labor, and the people generally. It can not do that if it follows the evidence of the money kings.

Yes; the commission got its evidence from the collectors of wealth—"the one hundred men" referred to by Mr. Reynolds as having framed this bill, and from the parties they brought in to give testimony. They were eminently able to keep their plan before the commission and to keep the commission from seriously considering any other plan. It is their plan that the commission reported. Mr. Morgan and his allies overcapitalized their trusts and, necessarily, wanted to make the best of the condition for themselves. The way to do it was to shut out competition. Then they can continue to charge enough for the products the trusts control to pay dividends and interest on their watered stocks and bonds. This bill was framed up by "the one hundred men" with that in view. It was to fasten on posterity the so-called "vested rights." You will observe a part of the scheme in sections 26, 27, and 28.

The sections 26 and 27 define the notes and bills of exchange that may be rediscounted by the National Reserve Association. These, you will note it is stated, shall arise out of agricultural, industrial, and commercial transactions, and these two sections negative the right of the association to rediscount paper growing out of transactions from stocks, bonds, or other investment securities. Those are two of the sections that Morgan and his allies value most, because, as they control the larger banks, they can keep all who would organize any business that would compete with their trusts from issuing, with any reasonable prospect of selling them, stocks, bonds, or other securities, for they could not be used against the objections of those who control the association under the proposed new system in the banks.

But when Morgan and his allies would wish to discount paper growing out of the prohibited list they would simply take plain negotiable notes that would not show upon their face what the consideration was, and these would be rediscounted by the association, notwithstanding that they grew out of stocks, bonds, or other securities. It will simply give these people the opportunity to shut out all competition, thereby making the trusts supreme. We should bear in mind that those who would be in control of the association are the same parties who now do, and for some time past have, controlled the large city banks, and that they are daily violating the laws and will probably continue to do so as long as they profit by it.

Now, then, as to section 28, that provides for the spectacular work of the Wall Street forces. It is for extraordinary emergencies, such as occurred in the panic of 1907. You will observe by that section that securities growing out of stocks, bonds, and so forth, are not excluded. When Wall Street operators get ready for one of their spectacular panic reapings to fleece the lambs and even some quite big business, section 28 will furnish the means. Financial panics could then be exactly staged to Wall Street interests. Every means is provided by this measure to produce booms and follow by tightening the money market and make wealth for the few. This bill would give the money changers absolute control. When Wall Street would want to get control of the smaller interests operating independent of the trusts it would proceed to bring about the condition; that is, the great emergency provided for by section 28, and that would enable the Wall Street operators to use the stocks, bonds, and other securities of the trusts and monopolies as security to secure a print of the National Reserve Association bills to buy up the depressed stocks, bonds, and securities of weaker independent concerns that would not, till Wall Street approved of them, be accepted by the association as collateral security.

I do not, of course, claim that commercial, industrial, and agricultural paper would be excluded. All paper growing out of that kind of business not in competition with monopoly would of course be meat for the trusts and monopolies, and would be provided for. That provision has been offered as bait. They would naturally want to let business and enterprise exist in order to collect their earnings. Those and the plain producers and consumers are necessary for the trusts, the same as farmers require their teams, stock, and so forth.

One of the schemes of the principal advocates of the plan is to make it appear to the public that it is proposed to prohibit further loaning of bank reserves upon stock-exchange collaterals and to pretend that these reserves shall hereafter be used "for the support of purely commercial operations." In connection with that claim I call attention to the fact that the association would be absolutely owned by the same banks that are now running the finances of the country; that these are the banks that would borrow its money and loan it to speculators and stock gamblers just the same. Neither you, nor I, nor anyone except the subscribing banks, can borrow from the association. The plan does not propose to change the law to regulate the banks. We must deal with the same banks that we now deal with. Under our present laws, if they are brave enough to dare it, and in some cases they are, the banks can in some measure act without being bound by the central money power. If once the proposed monopoly is completed they will be irretrievably tied to it, and the individual banks with less than $1,000,000 capital will cut little figure, and even $1,000,000 will look small.

We know it is extremely dangerous to raise large vicious dogs and turn them loose on the community, even if they are muzzled, for they have been known to get the muzzle off even in dog days. The Federal court of the United States gives us the situation in a nutshell in its syllabus in the Standard Oil case (173 Fed. Rep., 177), in language as follows:

> The power to monopolize vested in a combination is indicative of the character of the combination, because it is to the interest of the parties that the power shall be exercised, and the presumption is that it will be.

The Aldrich bill has every element in a combination that comes within the definition of the Federal court decision.. It would be exclusive. There would be no competitors. It is an attempt to establish the most exaggerated monopoly that it is possible to conceive of.

The subtle and underground influence of Wall Street in furthering and advocating that plan is illustrated in the formation of the National Citizens' League, which started in Chicago and has formed branches in nearly every State.

It would be interesting to inquire why no powerful citizens' leagues are formed to advocate other important problems than this Aldrich plan. The transportation system is most unjust in its discrimination, but there are no national citizens' leagues to advocate its correction. If it were corrected, it would save the people hundreds of millions. The unjust tariff discrimination is another important problem, but there are no citizens' leagues attending to that. That, too, would, if properly adjusted, save the people vast sums. We have the great labor problems which if properly adjusted would save the wage earners and the people in general billions of dollars, and yet we have no national citizens' leagues formed to correct it. And so I might run through a long list of problems, vastly important to the people, and yet not one, except this Aldrich plan, has been dignified by the formation of national citizens' leagues. Is it because the people are by the Aldrich plan to give billions of dollars to a private monopoly that there are such numerous leagues springing up? Draw your own inference. Certain interests got busy inspiring citizens' leagues. I believe in citizens' leagues, but I would like to see them started voluntarily by the people themselves. I do not believe in a few men getting together and appointing themselves to the offices of a so-called citizens' league and then solicit citizens to join simply to say "amen." What we in Congress want are actual citizens' leagues, inspired from among the citizens themselves.

The officers of the so-called citizens' league just had a convention and luncheon at the Great Northern Hotel, Chicago, which was attended by the officials of the branch organizations. Its president, John V. Farwell, in opening the meeting, stated:

> The National Citizens' League, with organizations in 44 States of the Union, with its members drawn from all our agricultural, manufacturing, and mercantile interests, is the strongest organization of its kind ever enlisted in a great public service.

"We do not advocate any bill now before Congress," stated Mr. Farwell. In the next breath, after making that statement, Mr. Farwell disregarded his solemn statement that "we do not advocate any bill now before Congress," and he advocated the Aldrich bill, which was then and is now before Congress, the same bill I am discussing, he using the following language:

> We do, however, recognize in the report that has been unanimously made by the National Monetary Commission the greatest step that has yet been taken in this country to give us a sound banking system. We believe that this report embodies those fundamental principles for which we all stand. The report is a conscientious, painstaking effort to provide a working basis for legislation in Congress. We will continue to advocate these principles, confident that Congress will give us the legislation the country demands.

How could the National Citizens' League indorse and advocate the bill in stronger terms than the language which I quote from a speech of its president? Not only does the league at its meetings advocate the plan, but it employs speakers to travel over the country speaking for it; and the leagues distribute all kinds of literature in support of the Aldrich bill, and as far as practicable for it to do so, it suppresses all literature that opposes that plan.

So far as the general membership of the leagues are concerned, there is, of course, no purpose to foist upon the country bad legislation. In my own State, for instance, the president of the branch league there is reported to be a man of high character and standing, and I am convinced would not knowingly advocate a bill that he did not think, on the whole, would be in the common interests. It is because of securing some men of splendid character as officers for the leagues to be formed that Wall Street has shown its finesse. But since these men in the first instance were indirectly selected by the Wall Street interests, their proceedings are principally directed by those who are in charge of the league in Chicago. With the permission of the House, I will append to my speech a concrete illustration of how the managers of the leagues resort to misleading practices to prevent any literature from getting publicity that would discredit the Aldrich plan. This they have done in connection with my own speeches and letters, of which I have proof in my files. I have some evidence of that now, and will probably have more before this is published in the RECORD, and will insert it.

Wall Street is underground supporting the league, seeking through them to force Congress to pass the bill before the general public shall have solved its mysteries; for if once the public knows its purpose, it will not permit its passage. Members of the leagues, with few exceptions, do not know that they are advocating the Wall Street plan.

It is unnecessary to enter into great detail in a discussion of the bill with my colleagues, as they are able to spell the things between as well as those that are in the lines just as well as I am. I particularly call your attention to one phase of the Wall Street underground work. I have so far, on the phase of the subject to which I am about to refer, received letters from nearly 100 different banks in many different States, only 7 of which are from my own. The letters written by the New York banks to their correspondents are all practically the same. I shall quote one set only, as an example of what they all are, to wit:

THE CHASE NATIONAL BANK,
New York, February 21, 1912.

GENTLEMEN: We inclose a letter from the National Citizens' League which we have been asked to forward to you. The campaign of education which the league is conducting in favor of currency and banking reform is nonpartisan in character and national in scope. We believe it of direct importance to the business interests of the country. The merchants interested in the work have felt that, while they regard themselves as responsible for the raising of funds for the prosecution of the work, the country at large should know that the banking interest is in sympathy with the work. Any correspondence should be taken up direct with Mr. Isidor Straus, treasurer, Broadway and Thirty-fourth Street, New York, and any contributions made direct to him.

Yours, sincerely, A. H. WIGGIN, *President.*

You will notice that the letter does not give the name of the bank to which it was sent. Some of these letters are written to others than bankers. Inclosed in that letter was the following blank, intended for the banker to which it was sent to fill out and attach a check:

NEW YORK, *February —, 1912.*

To ISIDOR STRAUS, Esq.,
Treasurer National Citizens' League,
100 Broad Street, New York City.

DEAR SIR: I inclose herewith my check for $—— as my subscription to the fund of the National Citizens' League in its campaign of public education for the promotion of a sound banking system.

Yours, truly,

Attached to the letter of the Chase National Bank was the following letter:

DEAR SIR: You insure your property against fire, your business against risks, yourself against incapacity and death. For this protection you pay many annual premiums of considerable amount.

We ask you to pay a single premium for the insurance of your business against money panics, against the business collapse that attends them, and the business depression that follows them.

The same investment is also for the assurance of the stability of borrowing facilities, of uniform interest rates, of wider and more stable market.

These are the benefits of banking and currency reform. And this reform is assured if the business men will combine and lend it the same support they gave sound money in the nineties.

The issue is just as live and big. Sound currency needs a sound currency system back of it. Business isn't paralyzed to-day as it was four years ago. Another panic is not anticipated. But the fact remains, and it must be faced squarely now, that under our present defective and dangerous banking system disastrous panics can not be controlled. Revision is demanded—now.

This is a problem even more vital to the business men than to the banker. The final burden of panic is borne by the business and the industry of the country.

Business men all over the country, irrespective of rank and par· lines, have organized the National Citizens' League for the promotion a sound banking system.

The league does not advocate any particular plan, but is carrying · a nation-wide campaign of education, in an economical and legitima way, to the end of arousing Congress to prompt and business-like n tion free from the prejudice of partisan politics.

Any subscription from $1 upward will constitute a membership in t league.

You will see from the inclosed list the national character of th movement, and the personal and business standing of its leaders.

As an instance of what other States are doing, in Minnesota 23,0· business men have subscribed to a fund ample enough to organize a: unify that State for banking reform. Other States are following su Your active interest and your contribution are greatly needed by t· New York branch of the league.

If you count this a good business investment—with 1907 clearly r membered—will you fill out and return the inclosed blank?

Yours, very truly,

JOHN CLAFLIN,
President New York State Branch National Citizens' League.

I have similar letters sent by most, if not all, the Wall Stre· banks. Letters were sent by Wall Street banks to bankers . all the States. Every banker, except one, who wrote me, e pressly requested that I should not disclose his name, for · do so, they wrote, would bring upon them the disfavor · certain business interests. One of these letters, sent to me l a banker in my own State, I shall quote simply to show wh: I believe to be the feeling among the bankers in the sma towns, though suppressed because of a fear of harming the business because of incurring the disfavor of the special i. terests. I omit, of course, all the facts that would identify tl party for reasons appearing in the letter itself:

———, MINN., 1912.

HON. C. A. LINDBERGH,
Washington, D. C.

DEAR SIR: I have noticed with considerable interest your char: against the National Citizens' League—that it is being financed l Wall Street influence. I am inclosing herewith a circular letter fro a Wall Street bank, soliciting subscriptions for the league from t: Minnesota banks. This letter comes from our New York corresponden I assume that the plan is to reach our banks in this way through the New York depository. I take the liberty of sending this to you as may be of some value to you in your campaign against the iniquito: Aldrich currency measure.

This letter comes to you from a stranger, but from one who is hearty sympathy with your congressional work. I would, of cours not want either my name or bank mentioned publicly in this co nection.

Respectfully, ——— ———, *Vice President.*

It is to be regretted that the conditions in our beloved cou try are such that bankers dare not come out and fight th "iniquitous Aldrich currency measure," as this man so apt! terms it. Parties from all sections of the country have offere their views on the economic and financial conditions, and amon them are many bankers.

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Mr. LAMB. Right here will the gentleman tell us what the remedy?

Mr. LINDBERGH. Before we provide a real remedy we can make some amendments to our present system that will prevent panics. I shall not oppose such amendment even though they do not provide a satisfactory remedy. The plan offered by the National Monetary Commission is not a remedy at all, but is a proposition to still further centralize wealth and enslave the producers and consumers.

Mr. LAMB. Will the gentleman yield?

Mr. LINDBERGH. Certainly.

Mr. LAMB. I judge, from a part of the gentleman's reply, that he would like to go back to the old greenbacks, without the exception clauses.

Mr. LINDBERGH. I have said nothing about that.

Wall Street values very highly information on the business conditions of every section of the country and on the private affairs of those in business who do not cooperate with Wall Street operators. The Aldrich plan would accommodate its operators to the fullest extent. The governors of each of the 15 branches would be the natural agents of Wall Street, and since the association, by the provisions of the bill, will have access to the books of all the subscribing banks, any person or party doing business with these banks whose business is of interest to the Wall Street speculators will be open to them.

We could go through section after section of the plan and point out the footprints of Wall Street—"the one hundred"—men who took part in their formation, but the time precludes such extended discussion in a single speech. Those sections to which I have already referred are sufficient to reject the plan.

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Take the plan as a whole, it is appalling to contemplate its many objectionable provisions. Its principal advocates know full well that its enactment must be achieved through ignorance and fraud—both. The broadest distribution of literature and the staging of public addresses principally paid for by institutions subject to Wall Street influence is but a cunning device of the crafty to rivet public attention on our present imperfect and grossly wrong system. There is, however, encouragement in the fact that any appeal at all is made to the public, for by this fact the people will be made to appreciate the importance of securing a proper monetary system. Less than 10 years since, these people who are now advocating this plan would have made no pretense or attempt to educate the public. The plan would have been fixed up with the politicians and passed by Congress without so much as thinking of the people. We have made some progress.

Other devices for securing support for the proposed plan are more sinister in their aspect. A threatened panic hangs like the famous sword of Damocles over the heads of bankers and business men. Big business is probably even now speculating as to what the effect of a panic would be—whether the people will exercise their sovereign power and establish an impartial money and credit system, which Wall Street does not want, or whether they will cower under financial stringency and give it the Aldrich plan, which it very much wants.

No foreign enemy, though confronting our shores in embattled array, with hostile fleets and huge armies, could frighten us into a surrender of the least of our rights or the smallest portion of our possessions. We would sacrifice our last cent, pour out our last drop of blood, and endure all the horrors of war rather than yield. Yet Wall Street thinks it can, by a threat of panic, bluff the American people into surrendering to it a right which Congress, through the Constitution, has inherited from the people. When Congress can no longer exercise the power which it has received from the people wisely and well, its plain duty is clear—to deliver it back to the people and not bestow it upon a private and oppressive trust.

To whom is it proposed to give this unlimited power? Who is this that it is proposed to make the arbiter of our destinies, of the fortunes and misfortunes of our future? Upon its face it purports to be to all the banks. That is the most favorable construction that is claimed for it. But why to the banks more than to anyone else? Why not the farmers, the merchants, the labor unions, or the other industries? Are we willing to give to the banks unlimited control of all our finances and business, even with the promise that they will deal fairly with each other? The plan makes no provision to guarantee that the banks will deal fairly with the rest of us. Can we rely on those who desire the highest rate of interest to give us a square deal? I make these inquiries with no disrespect to bankers. I am absolutely opposed to giving special privileges to anyone.

The commission, in a way, has done a great, though incomplete, work. With its conclusions I can not agree, and shall oppose this plan to establish a permanent money monopoly. If it is enacted into law we shall probably have a few years of boom prosperity, in which the wealthy will become more wealthy and the producers and consumers poorer. It will necessarily be followed by a period of the hardest times for the plain people, who will find themselves then in a situation from which they can not escape except by most radical procedure.

While I do not agree with the adoption of such a plan nor of that system of finances, nevertheless the recommendations of the commission, with some material modifications, can be utilized as the foundation for a national monetary system that would be an improvement over our present banking laws. In adopting such a system we need entertain no prejudice nor practice discrimination against the people of New York City, or any other section of the country. All that anyone should ask is a square deal for all and special favors for none. Important modifications have already been secured as a result of the agitation for an investigation of the Money Trust, and others may be confidently expected. If, however, no better plan can be secured, if Congress is prevailed upon to turn over the business of the country to a special interest, it is still its plain duty to amend the plan in several important particulars, only a few of which I shall now suggest.

The nine directors at large, to be elected by voting representatives of the branch associations according to the holdings of stock by the different banks, should be entirely eliminated. This provision is not necessary for the protection of the banks, as that is sufficiently provided for by the very nature of the business to be engaged in and by the two-fifths representation of capital in the various local and branch associations, and its absence from the plan will materially lessen the danger of monopolistic control.

A better plan for the selection of a governor and two deputy governors, all three of whom are to be ex officio directors, than that proposed would be to have these three officials selected by the President from lists furnished by the House of Representatives, each Representative filing with him a list of five names, and selection to be made from the five persons whose names appeared in the greatest number of lists. This would bring these important officials closer to the people and would also assist in keeping control away from Wall Street. I do not say that that should be done, but it would be better than the method proposed by the commission.

One of the most dangerous things in the plan is the information that will be obtained by a few private individuals of the affairs of all the people in business. No private agency should be allowed to have that advantage over the people of this country. If we are to have a national reserve association, let it be one in fact; the Government itself can best serve that purpose; and if we are to have such a plan as the one suggested, it should be so amended that the Government would be the reserve association for all the others and in the interest of the people.

The number of officials and the salaries to be paid to each and to the army of clerks and employees necessary to carry on the business should be fixed by law, and there should be some fixed limit to the capitalization. Otherwise, the profits which the Government is to derive in return for the use of its funds and as a franchise tax on the proposed monopoly will remain a wholly indeterminate quantity. It may be much or it may be nothing.

The rate of dividends to be paid on the capital stock should be much less than 5 per cent. Most of the banks which will furnish the capital for the proposed National Reserve Association are now and have been for years content to receive from the banks in the central reserve cities, principally New York, 2 per cent per annum. While the Government will not have to pay the dividends—and it is claimed by the proponents that it will profit from the enterprise—the people will have to pay them, and a high rate of interest generally prevailing is one of the prime causes of the high cost of living.

The lower the prevailing rate of interest to the general public, the fewer the men who will be able to live off the sweat of other men's brows, the fewer parasites on the body politic, and the greater the number who will be compelled to support themselves. It would not be wise for Congress to follow the reasoning of some of our courts and give its sanction to the doctrine that 7 per cent or even 5 per cent is a fair and reasonable return for the use of money, because it can be economically demonstrated that either 5 per cent or 7 per cent will require periodical liquidation. Nor is the usual wail for the protection of widows and orphans and innocent purchasers applicable here. The latter has not yet made his appearance in this deal, and as for the widows and orphans, there are few, indeed, of them who are able to clear 5 per cent on the investment of funds left them by those who have passed beyond. Most of them, in fact, are lucky to find even 2 per cent remaining after necessary broker's charges for finding safe investments and taxes are paid. But, by a recent court decision, the trusts were decreed 7 per cent in perpetuity on railway investments, and here we find them asking 5 per cent and 20 per cent surplus on a 50-year investment as safe as Government bonds.

A maximum rate of discount should be established which should be as low as practicable, and bring the benefits to be derived, if any, at all times within the reach of the people. Speculators can, at times, afford to pay excessive rates for the use of money, but this should not be for them.

I mention only a few of the amendments that should be made if the plan should be adopted at all. When it comes before Congress for consideration or action I shall make further suggestions that I have noted as being important. If the people generally should become familiar with the plan proposed they will back away from it as they would from fire.

The CHAIRMAN. The gentleman's time has expired.

Mr. HAUGEN. I yield a few minutes more time to the gentleman.

Mr. LINDBERGH. Very well; I only wish a few minutes.

This plan is monstrous. More so than any thing that was ever offered or proposed. It would practically put the people of this Government and the Government itself into a receivership. It would place within the control of a few the means of commercial exchange by the use of which they would control the material merchantable substances of the earth and compel the rest of us to eat out of their hands on such terms as they fixed. I must nevertheless speak of the plan in measured terms, for when I stop to consider how the people have permitted themselves to become slaves of false systems, I realize the possibility of their submitting even to this additional burden.

I appeal to all the people and to the business interests and to bankers who should seek independence to study with care the proposed plan. The subject is so important that it can not be fairly neglected.

I do not wish to be personal except so far as it is necessary to fix the responsibility of persons who have to do with shaping the great problems of the day. I regret that it is ever necessary to discuss the individual conduct and relations of Members of Congress with the business of the country, and the effect that their personal interests in a business has on their work here in Congress. I have high regard for the personal characteristics of all the Members with whom it has been my good fortune to become acquainted. But upon public problems it has seemed to me that a great many Members are guided by standards false to the public.

When I was first elected to Congress I disposed of all business that in the remotest way might, to the least or to the most suspecting person, seem a reason to influence my conduct on any bill or proceeding in Congress. I did so at a financial sacrifice. But when I arrived at the seat of Congress I found that committees in charge of legislation are largely made up from Members who have direct and personal interest in the legislation referred to them. When I discovered that I was well pleased that I had sacrificed, for if my constituents should think of me, if I had continued my business relations, as I think of the members of committees who have a personal interest in the legislation they deal with, I should be ill at ease in my work. I should rather take their testimony on vital questions than to leave the decision with them where their personal interests conflict with the public interests.

I make that statement on general principles. I make that statement to call attention to the fact that the leading members of the National Monetary Commission, and also of the Banking and Currency Committee, because of being associated with banks and owning bank stocks, are personally interested in the legislation that has been proposed and also in the investigation of the Money Trust recently authorized. Some of the committee members belong to the American Bankers' Association, which keeps a lobby to deal with legislation in its interests. I am not complaining of the fact of the Bankers' Association, but I—and I am sure the public as well—would like to see impartial judges on the committees. I do not like to see men sit in judgment on themselves when they are to decide a matter involving their own interest in opposition to the public.

The trouble with this country is that everything is adjusted to the dollar instead of to the natural order of things. And the trouble with Congress is that Members are looking after some special interest instead of serving the public. As long as that practice prevails we shall have the cost of living high and the pay of wage earners and other producers low.

If Congress would do its duty, the people would be very prosperous whenever and wherever the natural conditions were suitable for prosperity. I can not see that there is anything to boast of in having prosperity for the rich alone. It does seem that a little consideration for the fitness of things would make people object to the Government serving special interests to obtain advantages over the people. It does seem that it would be unfair and beyond the conscience of those whom the public has entrusted to look after the general welfare that such persons should recommend or vote for the Aldrich bill, to incorporate a private corporation and give to it the name of the National Reserve Association, as if it were to serve a national function, when it would be, in fact, a private monopoly, with practically unlimited powers to control the general finances. I can not understand the citizenship and civic mind of a party who would give such power to a private concern, but I do know that the selfish interests are using every subterfuge in an attempt to fool the people.

The plain truth is that it is proposed to take out of their pockets billions of dollars for the use and to make them industrial slaves of the money kings. It is, of course, impossible to defend a bill which would accomplish that. Therefore the advocates of the plan decline to enter into a full, detailed explanation of it. That is why in this controversy my questions directed to the advocates of the plan have not been specificall answered; but instead the answers have led off into a maze o words about matters on which there is no controversy.

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In order to explain that, I shall ask the House for leave t withhold this speech from the RECORD till I can illustrate thi practice by inserting into the RECORD certain letters, circular and newspaper articles which are merely indicative of the wa in which it is sought to fool the public.

Hon. Robert W. Bonynge, who was a member of the Nationa Monetary Commission, made a speech at St. Cloud, Minn., whic is the district I have the honor to represent, after which th Journal-Press, a daily newspaper in that city, wishing to giv as much information as it could to the public, invited a di cussion of the bill through its columns, and particularly d rected my attention to the invitation. To the Journal-Press sent the following letter:

> Noticing in your editorial an impartial comment upon the discussi held in St. Cloud on the Aldrich bill, and suggesting that the other si be presented, and practically inviting me to answer, which, of course, will, I am prepared to answer now; but as it requires a close analys to discuss it in its true meaning, it would take too much space for newspaper article. I shall discuss this question soon in Congress, a will then bring the subject out in its details, including some suggestio within the plan that may be utilized to advantage by having the Go ernment serve as the reserve association and exercise the powers favor of the public that this Aldrich plan proposes to give exclusive to a private trust control. It would be folly to give control to a p vate monopoly which we should later have to take over with an incu brance. Our present plan is enough of an incumbrance. We must no injustice in a readjustment. The Aldrich plan is radically wron and it should not be adopted even if Wall Street would not contr But I shall show and those familiar with the conditions lying back it know that Wall Street would control. Observe the following, whi I quote from Financial America, a Wall Street publication, in its iss of January 8, 1912:
>
> "With the leading popular features of this report we shall not d in consequence, but with the attempt made by ex-Senator Aldrich a his colleagues to make it appear to the Nation at large that the p posed reserve association, if established, will be controlled by banks of the country other than those in New York City, or, in oth words, by interests other than those of the country's most power financiers—the great majority of whom are to be found in the c mentioned and interested heavily in its banking institutions—we inte in this editorial to express our views frankly, and we trust with same open-mindedness which our readers have full cause to know always characterized our opinions heretofore on the currency a banking question.

"Superficially examined, ex-Senator Aldrich's mathematical compu tions would seem to lend color to the belief that he has accomplisl that object. None knows better than he, however, the utter impo bility and the absolute untruthfulness of such an inference. He kno that no curtailment or restriction of voting power in the propo reserve association can curb or check the domination—yes, 'dominatio is the word—of the banks of this city over the banking interests this country as they now exist or as they may be affected by recommendations of the National Monetary Commission. That domi tion is fixed and permanent because of the solidarity, strength, a resources of the banks in this city; because this city is the rese center in the final analysis of all the banks in this country; beca through this circumstance thousands and thousands of the ba throughout the country look up to and are influenced by the banks this city.

"What ex-Senator Aldrich, the commission's chairman, hopes to g by presenting a recommendation constructed artificially to appease certain degree of public opinion and intended to create an impress that the control of the reserve association will be vested in men banks from sections of the country not logically entitled to it, in v of what we have just stated, is difficult to ascertain. He knows t his restrictions on the banks in the East will not lessen their po or their control of the country's banks and banking system just truly as he knows that calling a sheep's tail a sheep does not make a sheep. Then, why stoop to a political subterfuge that can fool thinking citizen and which must return as a boomerang? Why look facts squarely in the face, recognize them, and admit them c didly and publicly? If the interests in control of the great banks the East have reason to control the reserve association, it will only a matter of brief duration until that will be accomplished. T are masters of the situation to-day. A reserve association will change that condition; and it is a condition and not a theory, as is whole recommendation of the commission. Let the project go throu and when the interests of the Nation need financial guidance or di tion, we predict the votes of the eastern banks—New York and N England—in the reserve association will be the majority, for they be followed by the men from the other sections, who have had to r on New York's leadership for their very existence on former occasi of peril, and who know full well the saving power of the sanctu afforded them in the 'domination' of which we have written. Th was no occasion to try to cloak the power of the New York City bar There is absolute folly in giving it disproportionate recognition in reserve association. The only ones deluded by that attempt finally be the members of the commission, particularly their political ch man, Aldrich."

When I discuss the plan I will show by conditions and facts what Wall Street claims it can do it will do. The speakers and erature that it pays for will deny that. The article from whic quote was not expected to get out among the people, and the editor unguarded, but told the truth. When the plan comes onto the Ho floor for consideration I shall offer amendments that if adopted give the Government the power to do for the people what is propo by the Aldrich plan to do for a private trust. They will them that it is not a good plan. I will offer to relieve the banks of th per cent bonds in the same way. My amendment will protect the co try banks in a support of the territory in which they do the busin and will leave the city banks with the business that belongs to th The city people and the country people will be equally benefited.

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I have a different and, what I consider, a better plan to offer, but wish to test the advocates of the Aldrich plan as to whether they would be willing to trust the Government as much as they ask the Government to trust a private monopoly.

The above letter was published.

Some weeks later Hon. John H. Rich, president of the Minnesota Citizens' League, caused the following letter to be published:

I have read with much interest Congressman LINDBERGH's letter, published in your paper.

This letter contains some views which if not properly met and answered will serve only to cloud the issues in the present movement of the business men of the country to bring about a reform of the banking system. The nub of Congressman LINDBERGH's letter is found in his quotation from an eastern paper, in which the editor states that the control of Wall Street over the finances and business of the country is fixed and permanent.

No one can dispute the soundness of this contention. It is generally known and admitted among business men that Wall Street has control, has had it for many years, and will continue triumphantly in power for many years to come, unless something is done.

It is much more to the point to determine how Wall Street control can be broken than by hearings and investigations to attempt to prove the admitted fact that its financiers have altogether too much to say about finances and about business.

Wall Street control comes from its control of the money of many hundreds of banks—in the form of deposited reserves and idle funds—which, because of the nature of the present banking laws, gravitate to the central reserve banks in New York and are there loaned out to operators on the stock exchange as "call loans." Wall Street has control because it has tremendous accumulations of these bank funds, and the possession of this money is the source of its power.

It is obvious to any business man that Wall Street control will not be broken by investigations or by criticisms. It will be broken if at all by taking the bank reserves out of Wall Street and putting them where they can not be used in support of stock-exchange operations or manipulations. This is exactly what is proposed in the banking legislation now before Congress, and by the terms of the proposed law it will be impossible further to loan these reserves upon stock-exchange collateral, which is the only kind Wall Street can offer, or for any individual or corporation, to do business with the proposed reserve association which is to hold the reserves.

Hereafter it is proposed that these reserves shall be used for the support of purely commercial operations—loans to business men on prime commercial paper, instead of loans to operators in Wall Street. Stringent provisions are included by which it will be impossible for Wall Street or for any other financial or any political group to gain control of the reserve association.

It is proposed to institute a system that will prevent panics, that will enable every bank to pay its depositors on demand, and continue to loan to those having legitimate credit, irrespective of hard times, stress, or adverse business conditions. These are things banks can not always do under the present banking system, and things which are essential if we are to have a system as good as that of other first-class countries.

I have no criticism of Congressman LINDBERGH'S proposal for an investigation of the Money Trust; in fact, I think anything he might discover by such action would be valuable information for the business men of this country to have, and would have the effect of still further emphasizing the position of the Citizens' League as I have stated it. But Mr. LINDBERGH should not overlook the fact that the known and admitted control exercised by Wall Street is bad and should be terminated, or the fact that the business men of the country want a new and better banking system than the present. In furthering his proposed investigation he should not neglect to give proper attention to these more important things. Legislation is now proposed in Congress. Let us have a reform of the banking system and work for it first, last, and all the time, and if, without endangering this more important issue, we can have an investigation such as is proposed, let us have that, too.

I believe Congressman LINDBERGH'S purposes are above criticism, but perhaps in his interest in the one thing he has given the other less attention than it should have. The bill now before Congress deserves the most careful study and examination by every business man. Those who have not seen it can get a copy by writing me. It also deserves the especial and very thorough study and attention of every Member of Minnesota's delegation.

JOHN H. RICH.

To this letter my answer was as follows:

Hon. JOHN H. RICH,

President Minnesota Citizens' League, Red Wing, Minn.

DEAR SIR: My attention has been called to your communication published in the St. Cloud Journal-Press of February 21. It is very plain that you have not understood the main purpose of my resolution to investigate the Money Trust. It was not to show that the reserves and idle funds are deposited largely in New York and there loaned to speculators on "call." That is important information in the present discussion, but pretty generally understood now. It was to show that the Wall Street influence extends into a much larger field, and, in fact, extends to nearly every section of the country, so that the persons who are in control there have the power of controlling credit everywhere. Through the occult influence which they exert on business they will have the power to control credit as fully after the passage of such a plan as your various leagues propose as before. Through this power they will control the central reserve association which is proposed as effectively as if every director were to be a resident of New York City. A curious illustration of the power and method of this influence is furnished by the National Citizens' League, which started in Chicago—not New York—and has formed branches in nearly every State, your own organization being one of the branches. Can you truthfully deny that these leagues have been organized through the influence and under the direction of Wall Street and that they are universally advocating the Aldrich plan of monetary reform and none other; and, further, that the Aldrich plan has been formulated for, through, and by Wall Street influence and is being advertised at its expense? The dollar charged for membership does not pay one-tenth part of the sums that are being expended in exploiting the Aldrich plan through the various citizens' leagues. Of course it is called the Monetary Commisson's plan, but, I ask, is not that the same thing?

This should make no difference with anyone, however, and it certainly makes no difference with me. I have just mentioned the facts, showing the origin of your organization, to illustrate the power and

subtle influence of the Money Trust. Those who join the league after the start, and frequently those who start the leagues, do not know from what source the first inspiration comes. Everybody wants to improve the money and banking system, and most of the persons who join the leagues do so in the faith that they will learn more about the system and be able to spread the truth. That is why it is unfortunate that a few well-paid agents are furnishing all of the literature through the Chicago organization. I entertain no prejudice against Wall Street or against the Aldrich plan. If it is a good plan, we should all wish it adopted into law. If it is bad and calculated to make more grievous the burdens of the people, we should seek to know that and either supplant it by a better plan or make such modifications in this as will make it better. I deem it, therefore, a splendid opportunity to take up the discussion of the question through the league which you represent. I am reliably informed that you are a worthy, sincere, and able citizen, and also believe that the league, as well as yourself, will be interested to know all the facts and not one side only—the mother league in Chicago is sending out only one side. But now that you have issued a sort of a challenge to me, I invite, not only your league but the one in Chicago, to join in a full discussion of the subject in such newspapers as desire to open their columns for that purpose. And I request that you use your influence to secure me an opportunity of presenting the other side in the columns of Banking Reform, published in Chicago under the auspices of the Citizens' League. This paper has already devoted considerable space in its first issue to me, and it can not fairly deny sufficient space to the discussion which I propose, if it desires the subject to be fully presented. I will send a copy of my articles to you and the president of any other league who may request them, and also to the newspapers of Minnesota which desire to receive them and to other papers as well, so far as I can afford to do so. I would also request that copies of articles challenging me to discussion of any phase of the plan be forwarded to me. I do not always get time to read all that is in the newspapers, and my attention was called to your article by mere accident.

You make a point in your article of the provision which the Aldrich plan apparently makes, and which is supposed to prohibit the further loaning of bank reserves upon stock-exchange collateral, and you say that these reserves shall hereafter be used "for the support of purely commercial operations." Would it not be possible for the great banks of New York and other cities—yes, far greater banks than there are now—to loan their money on such collateral and rediscount their loans on their own or the indorsement of their local associations, without transferring the collateral? How would the National Reserve Association know that the deal did not represent a "purely commercial transaction"?

Will you also allow me to call your attention to section 50 of the Aldrich plan, which, among others, I would like to have explained? Is it your opinion that the Representatives in Congress should give to a private corporation the use of $220,000,000 for 50 years, without taxes or interest, which all it will have to do is to print for the banks to loan to the people at any rate of interest they may wish to charge? When you or I or anyone else desires the use of money which we have not got, we give our note and pay interest and taxes. Here is a proposition whereby an association of banks can get lawful money without either, which they will turn around and loan to us at a rate of interest which they have the sole power to fix. Wouldn't that be a pretty good proposition for you or me, Mr. Rich, if we could get it? Yet what would the country—and Wall Street—think of a proposition to bestow such a privilege upon us?

But this is not all. The report of the Treasurer of the United States, February 23, 1912, shows that at the close of business on that day the Government funds under his control amounted approximately to $290,000,000, which it is proposed shall be deposited with the National Reserve Association, whereupon this private corporation may proceed to issue against it lawful money provided for by sections 49, 51, and 52. Its notes are to be a first lien on the Government's deposits as well as against its other assets. Are these among the things which you wish to have done?

To call attention to more of the pitfalls contained in the proposed legislation would extend this letter to an inordinate length, so I will close here. When these questions have been satisfactorily answered, however, I have some more, which I should like to propound, of far greater importance than these.

Very respectfully, C. A. LINDBERGH.

My letter quoted above was answered by a circular. The statements attributed to me in the interview referred to in the circular are not correct. I did state that the one good thing about the plan is that it is bringing out a most important problem for consideration, and much might be accomplished by the discussion. I do not claim that all the ideas presented by the plan are bad. I do claim that the fundamental principles on which the commission bases its plan are to boost special interests as against the general interests and consequently are opposed to the general welfare. That part of the circular which purports to be an answer to my letters is as follows:

CHARGES TRUST RULES LEAGUE—REPRESENTATIVE LINDBERGH ASSERTS MONEY POWER DOMINATES CITIZENS' ORGANIZATIONS—HE REPLIES TO JOHN H. RICH—SIXTH DISTRICT CONGRESSMAN DECLARES BODIES WERE FORMED TO SUPPORT ALDRICH PLAN.

(Dispatch Washington bureau.)

WASHINGTON.

Charging that the National Citizens' League, with branches throughout the country, is "organized under the direction of Wall Street to advocate the Aldrich monetary plan," Representative LINDBERGH, of Minnesota, to-day in an open letter replied to John H. Rich, president of the Minnesota Citizens' League, of Red Wing, Minn., who recently criticized Mr. LINDBERGH's attitude on the Money Trust question in a letter published in St. Cloud, Minn. Mr. LINDBERGH said:

"It is very plain that you have not understood the main purpose of my desire to investigate the Money Trust. It was not to show that the reserves and idle funds are deposited largely in New York and there loaned to speculators on call. That is important information in the present discussion, but pretty generally understood now.

FIELD MUCH LARGER.

"It was to show that the Wall Street influence extends into a much larger field and, in fact, extends to nearly every section of the country, so that the persons who are in control there have the power of controlling credit everywhere. Through the occult influence which they exert on business they will have the power to control credit as fully after the passage of such a plan, as your various leagues propose, as before. Through this power they will control the Central Reserve Association, which is now proposed, as effectively as if every director were to be a resident of New York City.

We gave away our public domain, our timber, our mineral, our water powers, our ports, and our terminals, etc. That is what the standpatters in Congress gave away. Do the railroads charge us less freight because they get hundreds of millions of acres free land grant? Do we get lumber cheap because the lumbermen got the timber for almost nothing and much of it through political trickery? Do we get the products of the mines cheap because the owners got the ores for little or nothing? Does the owner of a lot, who gets it for a few dollars, sell it cheap when the demand for it has increased the value to thousands? If the rich getting things for nothing makes things cheap, how do you account for the high cost of living? How will you account for the Rockefellers, the Morgans, the Hills, the Harrimans, if when they get things for nothing they give the people the benefit of it—I mean the 3,000 persons who own and control more wealth than all the other 93,000,000 together? Are they letting us have things cheap because what they have cost them so little?

Now, again, you advocate that we should give away $220,000,000 with no practical restriction as to its use. Are these money kings going to keep it idle between crop-moving times, or will they be angels to the stock and bond and produce speculators and loan it to them between times? I mean will the big bankers, who will control this monopoly, do that if you give them the money without tax, and then, when it comes time to move the crops, will they notify the speculators to pay because the money will be wanted for the farmers? I ask you, will they do all these things? Will the money kings make the speculators pay in crop-moving time and thereby raise the rates of interest and consequently reduce the price of crops when the farmers sell? Then, again, when the farmers want to buy the finished products will their prices be raised? I ask you to answer these questions. I readily see that upon the advisability of giving to a monopoly $220,000,000 we are fundamentally separated.

You say that the Government is going to get great profits out of this private monopoly. How do you reconcile that statement with your other statement that if there is any charge it will tax the farmers? I infer from your statement that you are willing, when the farmer borrows, to tax him so as to make him pay, first, 5 per cent annual dividends and 20 per cent surplus to the stockholders, and in addition the cost of an expensive administration by innumerable officers, who would fix their own salaries; and, lastly, enough more to make a great profit to the Government. But you justify the gift of $220,000,000 to the monopoly without paying any tax whatever. The two positions you take seem to me to be diametrically opposed. Do you want to create a private monopoly at all to assess the people to collect the taxes for the Government? On these questions I think the public would be glad to have your answers.

My speech, referred to later herein, sets forth the way in which Wall Street would control the National Reserve Association, and I hope that you will publish in Banking Reform all of what I said about that.

It needs no "large-pursed philanthropic capitalists," as you suggest, to be ready to buy the 2 per cent United States bonds to avoid the special tax of $680,000,000. These bonds are already owned by the same parties to whom you propose to give the power to form a monopoly. No one else can turn them in, according to the bill, and these would have the option to do just as they choose. The bonds would be held by them in practically the same proportion to their stock holdings. They would not be needed to base currency on, because their own association could issue currency without bonds. Your statement that the Government pays only 1½ per cent net goes to show that it would be profitable for the holders not to turn the bonds in, because when the owners retire the bond-secured bills they will get the 2 per cent interest the bonds bear, and in addition avoid a special tax of 1½ per cent on

SAYS IT CONTROLS.

"A curious illustration of the power and method of this influence is furnished by the National Citizens' League, which started in Chicago and New York and has formed branches in nearly every State, your own organization being one of the branches. Can you truthfully deny that these leagues have been organized through the influence and under the direction of Wall Street, and that they are universally advocating the Aldrich plan of monetary reform and none other, and, further, that the Aldrich plan has been formulated for, through, and by Wall Street influences and is being advertised at its expense?

"The dollar charged for admissionship does not pay one-tenth part of the sums that are being expended in exploiting the Aldrich plan through the various citizens' leagues

"Of course it is called the monetary commission's plan, but I ask you is not that the same thing?

"This should make no difference with anyone..and it certainly makes no difference with me. I have just mentioned the facts, showing the origin of your organization to illustrate the power and subtle influence of the Money Trust."

It will be noted that Mr. Rich did not insert all of my letter in the circular. Then he proceeded to answer in the same circular as follows:

Hon. C. A. LINDBERGH,

House of Representatives, Washington, D. C.

DEAR MR. LINDBERGH: I have your kind favor of the 26th ultimo, and thank you for the frank explanation of your position in regard to the monetary bill now before Congress. I should like to be equally frank in answering your questions, and should like to say that it seems to me that the fear that the "occult influences" exerted by Wall Street would control the proposed Reserve Association seem to me to be largely imaginary. The only control that Wall Street has ever exerted, or does exert at the present time, is exerted because of its enormous money power. It is perfectly obvious to me that if we wish to destroy the power of Wall Street in these respects, the way to do it is to take away from Wall Street the reserve deposits and idle funds of banks which are the source of this power—

DESTROY WALL STREET POWER—

which is so justly feared. When these funds have been taken away from Wall Street and Wall Street no longer has the power to grant favors, or by fear of favors to be withheld, exercise a dominating influence over the banks of the country, its power will only be the power that it has in proportion to the remaining money it has under its control. I can illustrate what I mean best by saying that the power of any man, financially speaking, is in proportion to his wealth. When Wall Street has been shorn of this immense accumulation of other people's money its power will be proportionately reduced. If you will carefully examine the publications of this organization you will find that our position from the first has been decidedly antagonistic to this control of Wall Street, and that we have repeatedly said it constituted a very grave danger which ought to be removed.

WHERE THE POWER COMES FROM.

I trust you have not understood my letter to Hon. Alvah Eastman to mean that the only thing to which this league is opposed is that the deposited reserves and idle funds in New York form the basis of stock exchange operations. We realize very well that, as you say, the influences emanating from Wall Street have a very much wider and more important significance than the mere matter of whether speculation is encouraged or not. All of these influences, however, trace themselves back to the fact that Wall Street has altogether too much of the people's money, and has too little control as to the use it makes of such money. My hope is, therefore, that this power and these influences can be broken by destroying their source, which is the present control of Wall Street over the money of the people. I have no faith to believe that the power which has been exerted so long, and which has grown so rapidly in recent years, and which constitutes such an evil at the present time, can ever be broken by any plan except one which will remove these deposits from the control of Wall Street and put them where they can not be used for loans on stock exchange collateral.

EVERY DOLLAR RAISED IN MINNESOTA.

I note what you say in regard to the formation of the National Citizens' League, and desire to state to you very emphatically that so far as the Citizens' League of Minnesota is concerned, every single dollar it has spent has been raised here within the State from business men and others whom you know or whose names are at least familiar to you, and that not one cent has come directly or by any devious course from Wall Street. I wish to be equally emphatic in saying that the work of this organization, which has been prosecuted under my authority, has not at any time been informed, even in an indirect manner, by Wall Street, nor subject in any way, shape, or manner to any control from Wall Street. A study of our literature, our statements to the newspaper press and to the business men, and the statements made by public speakers appearing under the auspices of this organization have all, without exception, called attention to the very dangers which interest you so much and have steadily hammered home the fact that the control of Wall Street must be broken in the interest of business in this and other States. I know of no way in which we could have made our antagonism to Wall Street control more apparent or more emphatic.

NATIONAL LEAGUE INDEPENDENT.

I have been very familiar with the organization and work of the National Citizens' League since its formation. I have been as interested as you in knowing whether there were any indirect connections with Wall Street or whether Wall Street was engineering the work of that organization, with which this organization in Minnesota, although independent and distinct from that, is affiliated with it, and have been unable to find any connection with Wall Street or to develop any other situation than exists with regard to our own organization in this State.

WORK STARTED IN WEST.

I think you have overrated the power of the so-called Money Trust in connection with the work of the National Citizens' League. All of this work started in the West and not in the East, and is being supported, so far as my knowledge and information go, in exactly the same manner as the work in Minnesota—that is to say, by the independent subscriptions of local men. In case these organizations are under control and authority of Wall Street it would never have been nece to go outside of New York for enough money to conduct their On the other hand, it has been necessary in Minnesota not alor solicit the subscriptions of business interests, but to pursue a active campaign for membership in order to provide funds throug use of which business men might be thoroughly informed on this important question.

UNJUST TO BECLOUD ISSUES.

I agree heartily with you in your statements that if the bill before Congress is right we should all work to have it enacted into If it is a bad bill its defects should be pointed out, and if you permit me to say so, I should like to express my view that to cri this organization, and to charge that it is affiliated with Wall S under the control of the Money Trust, when, as a matter of fact, a local institution, supported by Minnesota money and trying its in all sincerity to get the facts out on this question before the bu men of the State, serves only to cloud the issues involved and them more and more hazy in the minds of the people of the Sta large. Such criticisms are unjust, and doubtless will have bad e which will be impossible for you to remove because of the fact tl is very easy to arouse prejudice, but not so easy to get business m give the serious study to such a question as this as its importan them deserves.

CRITICISM WELCOMED.

It is to the point to confine criticisms of the legislation now b Congress to specific things and to point out wherein any defects ir bill may lie. I shall be very glad to welcome your criticisms this line, and to give, in so far as I can, our views in regard to objections you may raise.

MONEY-TRUST INVESTIGATION.

Now, in regard to the so-called Money Trust. I find that you a are in perfect accord in one thing—that is, that there is a M Trust of some kind which exerts a very powerful influence in country. I doubt very much whether any investigation will show it is in organized form. If, in your opinion, it is worth while ahead and prove, through an investigation which will cost a great of money, that such a trust does exist, there is no objection wha to your doing so, although it may not be productive of results of benefit to business men, but simply prove something which we all exists. If you can go further and bring out facts that are not al known in regard to the extent and ramifications of these influ there is nothing that you uncover that will not directly help the of this league by showing the business men with more and more how important it is that the defects and pitfalls of the present ba system be remedied. If a Money Trust exists, it is the direct pr of a banking system which has remained practically unchanged the Civil War, and the business men of this country have thems to thank for not having made it impossible long ago for Wall Stre continually extend its power.

ASKS LINDBERGH'S COOPERATION.

It seems to me that this organization is working along the same you are, to eliminate the serious dangers under the present bankin tem and to substitute a better system which will limit the pow Wall Street and prevent any group of financiers from enriching t selves or extending their operations through the use of money w does not belong to them, but to many thousands of depositors in b These facts suggest to me that you ought to be a member of this o ization and take an interest in its work and keep in touch with it is doing. I shall be glad to have your membership fee and put on our list.

Thanking you for your letter and the opportunity you give m making a frank reply thereto, I am,

Yours, very truly,

JOHN H. RICH, *Preside*

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In the same circular was a purported interview with which never occurred. but I have no doubt Mr. Rich thoug! had or he would not have quoted it. My objection to Rich's circulars are that he did not use my whole letter. public was entitled to it all, if any was used.

Mr. Rich wrote me a personal letter, saying he would dis the plan. To that I answered as follows:

Hon. J. H. Rich,
President Citizens' League of Minnesota,
Publishers of Banking Reform, Chicago:

Replying to your letters, I acknowledge with pleasure the court and will gladly discuss the monetary plan. I note that you pref have me make no statement concerning Wall Street influences in f of the plan. I am willing to leave Wall Street out of the discu if the advocates of the bill will discuss it on its merits and dem and not pretend that Wall Street opposes it, and in that way see get the public to support it; but if its advocates continue to claim Wall Street opposes the measure I shall show some of the facts relate to Wall Street.

As I was challenged, I desire to direct the discussion along line secure the most information on the plan in the least time and s confining my letters, so far as possible, to approximately 1,000 w each. I will arrange one or more points to discuss in each letter will ask and answer direct questions on the different sections. at any time you fail to answer my questions, I shall follow with swers. When we have covered the plan then general statements be made.

To the public we may all say that the only justification for a plan is that it should be better than our present poor system and the plan should be the best we can get.

You claim that the proposed plan is better than the one we h I claim that it is not. That is a square issue. The public has a r to believe that we are equally interested in securing a good plan. the majority of the people will take an interest in this subject give their support to a good plan, prosperity will be secured for whereas now, by the most burdensome labor, most people can se only the bare necessities of life.

None of the advocates of the plan, so far as I have been abl learn, has discussed its details. I will do that in these letters. ask that you answer all questions and objections section by sectio the plan until we have covered it. We can propose amendments. not fail to answer each point to which I direct your attention. did not answer two important questions in my letter No. 1. I explain one of them here, assuming that you may answer the other in the meantime.

By section 50 it is provided that on the first $900,000,000 of the association's notes it shall pay, for the full period of its charter, 50 years, a franchise tax of 1½ per cent per annum on an amount equal to the par value of the United States 2 per cent bonds transferred to it by subscribing banks. Unless the subscribing banks transfer the bonds to it, it will pay no tax whatever on that portion of this sum in excess of national bank notes outstanding, now approximately $680,000,000. But the banks can transfer these bonds to individuals friendly to the Money Trust, retire the national-bank notes secured by them, and relieve the association of the tax on the whole $900,000,000. That is what, in common parlance, is called a joker. The Government has reserved the right to pay these bonds 1930 and, to maintain its credit as it should, will probably do so. Holders of the bonds will have no taxes to pay on them and will draw $244,800,000 of interest in the 18 years, and out of the whole affair, on that section, would save their private monopoly $675,000,000 taxes in addition, in the term of its charter. Does anyone wish to assume that they will not take advantage of this opportunity? But if all the bonds are transferred to the association which (that implies that all the national banks would have to join it) are now held by banks to secure circulation, it will, computing from the Treasury report, February 23, 1912, still be exempt from taxation for 50 years on approximately $220,000,000.

Section 56 would give the association the use of $220,000,000 for 50 years without charge, and by it a private monopoly may, at its option, get $900,000,000 exempt. I ask you to answer if you favor the Government giving to a private monopoly the right to print what will pass as money $900,000,000, or even as much as $220,000,000, without paying for it when the plain people will have to pay for every dollar they get? When the Government has to raise money it issues its bonds and pays interest on them. This plan proposes to give to a private corporation, when it wishes to secure money, the power to print bills to pass as money without paying anything for the privilege. Do you advocate that section? If not, what amendment would you suggest? I am opposed to giving any such power to a private corporation. That is not the worst section in the bill, however. When you state your position on that section I will take up another.

I call your attention to the fact that the association would be absolutely owned by the same banks that are now running the finances of the country. That these are the banks that would borrow its money. Neither you nor I nor anyone else can borrow from it. The plan does not propose to change the law to regulate them. We will have to deal with the same banks that we now do. Now, under our present laws, if they are bold enough to dare it, the banks can in some measure act without being bound by the central money power. If once the proposed monopoly is completed they will be irretrievably tied to it, and the banks with less than $1,000,000 capital will cut little figure. My discussion will lead up to show that, after you have answered some questions on specific sections in the plan. Mr. Rich, president of the Minnesota League, I believe to be an honest man. Since his first letter appeared challenging the discussion of the plan several of my friends who know him, state that he is very much in earnest, and that he is fair. That being so, I feel confident that when we have discussed section by section of the bill that we shall finally agree that most of them should be amended. That is why I wish that each of my questions be specifically answered, because I think we can, after the discussion, prepare an honest plan which, if enacted into law, will take business out of its present stagnation.

Respectfully,

C. A. LINDBERGH.

To that letter I received a copy of Banking Reform containing an article in reply and also a letter from Mr. Rich.

The answer of Banking Reform I quote, omitting their quotations from my letters, which show for themselves. The answer was as follows:

The National Citizens' League, in its desire to promote a free, unprejudiced, nonpartisan discussion of banking and currency reform, opens the columns of Banking Reform to all citizens who have constructive ideas for remedial legislation, or who have criticisms to make of the reform plan proposed by the National Monetary Commission.

Hon. CHARLES A. LINDBERGH, a member of the Minnesota delegation in Congress, and a foe of the Money Trust, has criticized the proposed plan on the ground that the National Reserve Association would be controlled by Wall Street. We have therefore asked Mr. LINDBERGH to state specifically his reasons for this belief. In our letter to Mr. LINDBERGH we said:

"We suggest that you confine any article you may care to write to the manner in which Wall Street, New York, or the Money Trust, would control the proposed reserve association, and what it would do with the control if it got it."

As we have yet to learn how the Money Trust could get hold of the National Reserve Association, and what it would do with it if it got it, we are keenly anxious to have somebody answer the question. But Mr. LINDBERGH has disappointed us. He opens his discussion with a criticism of the proposed method of ridding our currency system of the bond-secured bank notes. We hope Mr. LINDBERGH will later avail himself of the opportunity to use these columns to answer the question. He says:

* * * * * * *

CRITICISMS BOILED DOWN.

Mr. LINDBERGH's objections, as above stated, may be boiled down to these three propositions:

"1. That the association could evade the payment of the proposed tax of 1½ per cent a year on $680,000,000 of United States twos by arranging to have private investors buy the bonds from the national banks.

"2. That if the banks, on the other hand, sold the bonds to the association, thus forcing the association to pay the franchise tax, the association would still be exempt from the payment of any tax on $220,000,000 of additional circulating notes that it could issue under the plan.

"3. That the banks are now in some measure free from central control; that under the plan they would be tied to a private monopoly; and that the small banks would be swallowed up."

It is to be regretted that Mr. LINDBERGH does not open his attack on the plan of the Monetary Commission by striking at the fundamental principles on which the plan is based. The National Citizens' League is interested in fundamental principles. The league believes that these principles are incorporated in the plan.

The manner in which these principles are to be worked out in technical detail is a matter for the Congress of the United States to determine after a full discussion of the whole question. The particular detail which Mr. LINDBERGH discusses in the above criticism is one to which the commission has given a great deal of conscientious study.

The fact that we have an inelastic, unscientific bank-note currency is not, we believe, a matter of debate. That the volume of our bank-note currency ought to be regulated by the needs of the business community and not by the market, for the bonded debt of the United States is likewise, we believe, recognized by Mr. LINDBERGH and all other intelligent men. The problem before the commission and before Congress is how to substitute a scientific bank-note currency for our bond-secured currency with the least disturbance to the country, and without loss to the Government, the banks, or the people. The commission has proposed a tentative plan for this particular reform. Better plans may develop in the discussion in Congress. But Mr. LINDBERGH proposes no substitute for the plan he criticizes. His criticism is destructive; what the country demands is constructive criticism.

THE ANSWER TO MR. LINDBERGH.

1. If Mr. LINDBERGH knows of any large-pursed philanthropic capitalists who stand ready to invest $680,000,000 at 2 per cent interest, he has access to sources of information closed to 91,972,265 of his fellow countrymen, basing the computation on the official census of 1910.

The Government twos of 1930 sell around par because they are used by the national banks as a basis of issuing bank notes. The banks make the market for them. Without the circulating privilege they would sell on a 3 per cent basis, as do the Panama threes. As an investment bond, shorn of the circulating privilege, they would sell not at 100, but around 70. A very powerful syndicate, such as Mr. LINDBERGH has in mind, might be induced to take over this mass of bonds around 70. But this would mean a loss to the banks of $300 per bond, or $204,000,000 on the whole amount. That the 7,300 national banks of the country would give up the privilege of issuing their circulating notes and pocket a loss of $204,000,000 in the bargain, is a proposition that Mr. LINDBERGH surely does not wish to discuss seriously.

But how does Mr. LINDBERGH propose to get this $680,000,000 of bonds out of the Treasury into the hands of his great syndicate? The charter bonds—to the amount of about $150,000,000—could be obtained from the Treasury only by closing up the banks—they are there to stay. The additional bonds deposited to secure circulation could be obtained only by the deposit by the banks with the Treasury of an equivalent amount of lawful money. The banks would then get their bonds, but they would get their money back only as the bank notes came in gradually for redemption. Under the law, furthermore, the Treasury will receive no more than $9,000,000 a month for this purpose, so that it would take several years to get the bonds—no matter how willing might be Mr. LINDBERGH'S syndicate to pay spot cash.

Mr. LINDBERGH'S first proposition therefore reduces itself to an absurdity.

II. Mr. LINDBERGH'S second objection is that the association would have the privilege of issuing $220,000,000 of circulating notes without the payment of any tax. His underlying idea is that it is unjust that any institution should have the privilege of issuing demand notes to pass as money without paying a tax for the privilege.

In this connection, Mr. LINDBERGH may find in the report of the Indianapolis Monetary Convention—1898—a lucid discussion of the whole question of "Taxation of banks," with especial reference to the matter of the taxation of note issues.

A tax on note issues is a tax on the people—it increases the cost of borrowed money. It is always the consumer who pays the tax. The $220,000,000 of notes Mr. LINDBERGH would tax are the notes that the commission believes would be needed by the farmers at harvest time to move the crops of the West and South. A tax on these notes would be a tax on the farmers—it would increase by just so much the cost of funds they need to market the products of their industry.

In some countries note issues in excess of a certain amount are taxed; but this is not a tax on the privilege of issuing notes; it is a tax for the purpose of increasing the cost of loans, and so checking undue expansion of credit. Such a tax is proposed in the plan now under discussion in this country. It is one of the proposed safeguards against inflation.

Why, may we ask Mr. LINDBERGH, should notes be taxed and deposits not be taxed? If Mr. LINDBERGH discounts his paper at his bank in Little Falls, Minn., he may use the funds he thus obtains either in the form of a deposit on which he can check or in the form of bank notes. He may pay for his winter's coal with a check or with bank notes; it makes no difference to the bank. If he thinks that bank notes should be taxed, why, then, should not his deposit be taxed? One form of bank credit is just as good as the other for his use in the payment of his obligations. His check is as good as money wherever he is known, and it may pass from hand to hand in exactly the same manner as a bank note. Does he think his check should be taxed?

Does the friend of the people propose to tax the people?

III. Mr. LINDBERGH's third objection—that the proposed national reserve association would strike at the independence of the small banks—is, we believe, founded on insufficient study of the plan. The bulwark of our American banking system is the independent bank, owned and managed by the trusted men of affairs in the community it serves. Any proposal for banking reform which did not preserve this independence would be repugnant to our American banking traditions. The country banks are now, to a greater or less extent, the feudal dependents of the big city banks. The national reserve association would strike at the very root of this feudal system and would give the small banks of the country a real democratic independence in place of the pseudo independence they now have in our banking oligarchy.

Mr. LINDBERGH plainly views banking in this country as a monopoly; he assumes that the national reserve association would be a "private monopoly"; and he makes the strange error of assuming that the association would be a profit-making institution, and that its profits would go to its shareholders.

These assumptions are based on a surprising lack of knowledge of American banking and of the plan of the Monetary Commission. We have in this country a free banking system—anybody with a little money can open a bank anywhere in the United States, receive deposits of the people's money, make loans to the business community, and compete with every other banker in the country. The reserve association would not disturb this system of free banking. Anybody would still be free to go into the banking business and become a member and shareholder in the association. But with the proposed cooperative plan in operation there would be even more freedom of action for the small banker. He would get from a public institution as a matter of right what he now gets from the big banks as a matter of favor. The idea that the association would be a profit-making monopoly is a strange delusion. The association would pay, at the maximum, a rate of dividend to its shareholders so low that many banks are asking what would be the use of their joining it. All the profits of the institution in excess of this low rate of income on the investment would go to the Government, and so to the people, who are the Government.

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My reply was the following letter:

To Hon. JOHN H. RICH,

President Citizens' League, Minnesota,

and to Publishers of Banking Reform, Chicago.

GENTLEMEN: It was my aim to discuss with you, so far as I am able, ways and means to secure the best currency and banking bill possible. Your answers show that you favor the Government granting special privileges. I am opposed to that. Therefore it is not likely that we shall be able to join on a plan.

The principal statement in your answer that the public should take notice of and remember is the following:

"A tax on note issues is a tax on the people—it increases the cost of borrowed money. It is always the consumer who pays the tax. The \$220,000,000 of notes Mr. LINDBERGH would tax are the notes that the commission believes would be needed by the farmers at harvest time to move the crops of the West and South. A tax on these notes would be a tax on the farmers—it would increase by just so much the cost of funds they need to market the products of their industry."

That statement admits, as I have alleged the bill would do, that it is proposed, by one section of the bill alone, to give to the money monopoly at least \$220,000,000. You try to justify it because, as you state, it would be needed by the farmers at harvest time to move the crops of the West and South. In effect you state that you want the Government to give a monopoly power to print that \$220,000,000 to speculate with the farmers' products. If you are really anxious to help the farmers we can frame up a bill that will not place Wall Streeters between the farmer and consumer. Why would you delegate that power to a monopoly even if it were not to Wall Street? Do you want to create another special interest even greater than Wall Street? You say "it would be a tax on the farmers" if the monopoly pays a tax on the \$220,000,000 that the Government would give to it to buy the farmers' products. But there is no provision in the bill to prevent the monopoly from charging the farmers any sum that it pleases. Sections 49 and 58 give the monopoly at the least \$220,000,000 free from the tax for 50 years, and \$680,000,000 additional at 1½ per cent, but for nothing if it chooses to juggle, with practically no restriction as to how it shall be used. By another section it would, within a few years after its organization, have power to issue billions, and by jugglery even avoid paying taxes on that. You propose to trust everything to a private monopoly. I call your attention to the decision of the Federal court in the Standard Oil case (173 Fed. Rep., 177), in which the court uses the following language:

"The power to monopolize vested in a combination is indicative of the character of the combination; because it is to the interest of the parties that the power shall be exercised and the presumption is that it will be."

To the same people who now have most of the money you propose to give power to print more money. Do you think that their characters have changed so that instead of fleecing the public as the court indicates is natural for a monopoly that has the power, and as they have done in the past, that now, if we give them the \$220,000,000 and the other sums proposed they will be public angels and not charge all that they can get for its use?

an equal amount, which would be 3½ per cent net—a pretty fine rate when backed by the Government. If the bonds are paid in 1930, as they probably will be, they would get an exemption from tax for 32 years additional, which would be equivalent to increasing the interest to upwards of 5 per cent.

Answering some of your less important questions in omnibus, you seem to think that private depositors are not subject to be taxed. If you will examine the law, you will find that they are.

Neither my check nor your check should be taxed to us, because when we give checks it transfers that much funds to the person who owns the checks. It is the owner of the funds that should be taxed, the same as owners of property are.

I dropped the discussion of the Wall Street control from my letters because I would present it in a speech. I knew very well that you would not admit Wall Street's control under any circumstances. I would not ask you to do it. The public will form its own opinion about that.

As to section 56, I ask you to reread it, after first reading 49 and 51, and then I refer you to my speech for further explanation.

The bill does not propose to withdraw from the banks the circulation privilege, unless they choose to do so themselves. Therefore I see no reason to discuss your statement about that. But I do not believe in creating a special privilege as an inducement for the banks to surrender their circulation. We have too many special privileges now.

It is unnecessary to discuss the inference of your statement that I do not understand. That is a matter for the reader to determine from our arguments. But I see that, so far as your circulars and Banking Reform are managed, I am at a disadvantage, because you publish only such parts of my argument as you wish and publish all of your own.

I have observed that whenever a scheme is devised to put through Congress a bill for a special privilege that the proponents of it at once become solicitous for the farmers and the wage earners and ask them to urge Congress to pass it. The proponents well know that the farmers and wage earners elect and also defeat legislators as they choose. But if the schemers secure what they want they then proceed to collect the extra charges from the farmers and wage earners and from the public in general.

Now, gentlemen, it appears that we are fundamentally separated, traveling along different lines and aiming to different purposes. It would be easier for me to be on the same side that you are; but it is not my way to look for the easiest side. The country has gone too far to one side—the side of wealth. I can see how those who have always been with or who for a long time have had the surroundings of wealth may, even in their sincerity, advocate giving additional wealth as a special favor; therefore I shall not charge the advocates of the Aldrich plan generally with insincerity. It has been my lot to become acquainted with all sides of life, from the poorest people to the most wealthy. I know what the struggles of life are. I know that the wealthy have their troubles and that it is not all gold that glitters. But I have been among the poor—have been poor myself, and am now—but, so far as I am concerned, I ask no sympathy. I do, however, sympathize with humanity in the miscarriage of government, because government is the very foundation of our social conditions, and I shall do all I can to correct the evils of the present system.

Upon the proper solution of the financial problems we seem to be far separated. I have recently made a speech in Congress on this subject, embodying some of my criticisms of the Aldrich plan, and I shall soon publish a little volume dealing more fully with the details of finances. The speech will be in print in a few days. It answers the questions you ask that are not answered in this letter, and I will send you a copy. I will also send you a copy of the book when it is printed. When you read the speech and the book you will understand why we think differently. Therefore we may as well now revert to the adage, with the courtesy of no reference to its personal application, for it might apply to either or all of us, leaving the application for the reader to make.

Convince a man against his will,
He holds the same opinion still.

I wish to remind you of something that possibly you are overlooking in this discussion. In connection with that I quote from your letter the following:

"Mr. LINDBERGH's second objection is that the association would have the privilege of issuing $220,000,000 of circulating notes without the payment of any tax. His underlying idea is that it is unjust that any institution should have the privilege of issuing demand notes to pass as money without paying a tax for the privilege."

Then you go on and attempt to show why they should have. I have not discussed the question of who should issue notes to pass as money, nor the conditions. I shall discuss that at another time. You are trying to teach the people to force Congress to pass the Aldrich bill. You tell them to think for themselves, but at the same time you are telling them how you want them to think. You are showing them how the Government can authorize a money monopoly to print bills to be used as money; and you are advocating the bill that will do that. By its provisions the notes, bonds, and securities of private individuals, the reserves of banks kept with the association, and the Government deposits will be security for the bills so printed.

Has it not occurred to you that you are simultaneously showing the people, if they will stop to think about it—and they are likely to—that if a private monopoly can be given the power to issue notes to pass as money—if the Government can delegate that great privilege it can also use the power itself for the people. It has all the assets of the people back of it, so that it can redeem its notes as well and better than a private monopoly. In that way you could save the farmers, for whom you profess to have a special sympathy, the cost of the 5 per cent annual dividends and the 20 per cent surplus and the immense cost of a corps of officials, and also the expensive methods to support the Government.

Why do you want to let a private monopoly print notes and make them legal tender and support them by Government deposits and bank reserves that belong to the people and by the personal notes and obligations of the people? Have you thought that your arguments may show the people that it is better to let the Government issue these notes instead of a monopoly doing it? Of course, Wall Streeters would tremble if they suspected that the people would get out of all this discussion the idea that the Government might as well keep this great privilege for the benefit of all the people. If the Government did that your city banks could not control the reserves that belong to the country banks, and both the country and city banks would be more independent. All the people would be independent.

Let us refer back and see what was done in the sixties that scared the money kings all over the world. Our Government issued $433,000,000 greenbacks. If at that time the Government had taken pains to keep them at par so that no one would have lost on them, the same as it is proposed that this private monopoly shall keep theirs at par, there would now be no public debt and comparatively little private debt, and we would have been prosperous all these years and would now all be prosperous. The Government, instead of doing that, delegated the power to private parties and the Government guaranteed, while the private parties took the interest and profits on the Government guaranty. The Government resumed payment in full of these greenbacks after they had been purchased by the money kings. Now, the Government can do what you propose should be done by a private monopoly. Do you think the people will let you fool them that way? They gave away the timber, the public domain, the minerals, and much else. Now what are they getting? They know. Are they now going to give away the right to regulate their finances? Let us see what the London Times, a newspaper controlled by the money kings in the sixties, said about the $433,000,000 greenbacks. It was as follows:

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"If that mischievous financial policy which had its origin in the North American Republic during the Civil War in that country should become indurated down to a fixture, then the Government will furnish its money without cost. It will pay off its debts and be without debt. It will have all the money necessary to carry on its commerce. It will become prosperous beyond precedent in the history of the civilized Governments of the world. The brains and wealth of all countries will go to North America. That Government must be destroyed or it will destroy every monarchy on this globe."

If the Government had kept the greenbacks at par, as it is proposed by this private monopoly to do with its bills, we would never have gotten into this trouble, and everybody would now be prosperous. It is impossible to pay 5 per cent interest, saying nothing about keeping up an expensive corps of officials and collecting profit for the Government, without having periodical panics for the purpose of liquidating. It is not within the mathematical calculation to do so on the basis of the present distribution of wealth. We are bound to have periodical panics to liquidate usury. Do you advocate a law that by the very terms of it will destroy the continuous success of the people? Some of our laws are of this kind now, and you are proposing one that is worse than any heretofore.

If the people once begin to realize how outrageously they have been enslaved by the false money system and other false practices, it will not take long to get a new plan; but if they should turn to the Aldrich plan and accept that without amendment, they will get the last straw. Their backs will not only be further loaded but will be broken. Just keep this money problem agitated until the people get fully interested, as they did in the question of slavery. When they once realize how quickly this country can, by a proper money and credit system, be changed from a field of drudgery to a land of plenty for all of its 93,000,000 of people they will not be slow to act. I do not complain of the wealthy, but I do of the waste that we now have. The wealthy will lose nothing by a proper change, except the opportunity to further tax us, but the rest of us will gain.

This money problem is the most important of all now pending, but the politicians try to obscure that fact. I hope that every one who reads yours letters and mine, too, and your discussions and my speech will pass them on to their neighbors and in that way keep them going, so that more may get interested. I can live under our present system, and so can others, but I should like for us all be be most prosperous—as prosperous as natural conditions will allow. We can not be that as things are now, and we should change our money and credit system so that it may not be a special-privilege affair. We can not make this change until the people are ready for it. I am not in favor of making any change that the people are not ready to support. If a majority want the Aldrich plan, bad as it is, it will be the duty of the rest of us to accept the verdict and make the best of it. But I am sure if we can get the people to study this problem well that much good will come out of the discussion. Your claim that it is tearing down things to oppose the Aldrich plan is based on the wrong assumption. The burden is on the advocates of the plan to show that it is better than the present system. When the public has found out the defects of the plan you propose, some one will be ready—possibly yourselves—to suggest amendments or a new plan altogether. In the meantime we should all be working on it.

Sincerely,

C. A. LINDBERGH.

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